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ABSTRACT

The proceedings of a House hearing on poverty, hunger, and the welfare system are provided in this document. The hearings focus the Federal agenda for addressing these problems: the increasing number of people, particularly children, living in poverty and consequently threatened by hunger; increasing numbers of families headed by women alone living in poverty; and the inability of people in poverty to access the labor market. Speakers and presenters of prepared statements include legislators, academics, and representatives of concerned organizations. Among the major prepared statements are the following essays and papers: "Is Welfare Really the Problem?" by David T. Ellwood and Lawrence H. Summers; "Losing Faith in 'Losing Ground,'" by Robert Greenstein, who critiques the conservative challenge to the welfare system; a Census Bureau research study, "Changing Family Composition and Income Differentials," by Gordon Green and Edward Welniak; and "On Social Invention: Some Reflections on the Relationship between Family and Poverty," by Michael Novak. (KH)

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POVERTY, HUNGER, AND THE WELFARE SYSTEM

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HEARING

BEFORE THE

SELECT COMMITTEE ON HUNGER
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, DC, AUGUST 5, 1986

Serial No. 99-23

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POVERTY, HUNGER, AND THE WELFARE SYSTEM

TUESDAY, AUGUST 5, 1986

House of Representatives,
Select Committee on Hunger,
Washington, DC.

The select committee met, pursuant to notice, at 9:30 a.m., in room 311, Cannon House Office Building, Hon. Mickey Leland (chairman of the committee) presiding.

Members present: Representatives Panetta, Fazio, Dorgan, Roukema, Emerson, Gilman, and Bereuter.

OPENING STATEMENT OF HON. MICKEY LELAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Chairman Leland. We are going to commence now. I would like to wish everyone a good morning. Welcome to the Select Committee on Hunger's investigation of poverty, hunger, and the welfare system.

I want to thank our ranking minority member, Congresswoman Roukema, for her keen interest and support of today's proceedings. She has done a lot to facilitate this activity and I would like to extend my personal thanks for her leadership.

This morning we will focus on the causes and consequences of specific interrelated conditions that are eroding the general welfare of millions of individuals, of communities, and of the Nation itself. These grave problems include: The increasing number of people, particularly children, living in poverty and consequently threatened by hunger; increasing numbers of families headed by women alone living in poverty; and the inability of people in poverty to access the labor market.

Over the past few decades, domestic poverty and hunger problems have emerged as issues warranting widespread national concern. In more recent years, there seems to be a consensus that these conditions merit a new focus on the national agenda; however, controversy abounds as to the extent of their existence, their causes, and how they can most appropriately be solved.

In simple terms, to eradicate poverty and hunger, we must know the underlying reasons for their presence. Surely, there is no single reason why 33.7 million Americans live in poverty. Similarly, there are a myriad of issues that require examination before we can launch feasible mechanisms to provide these individuals a path to self-sufficiency.

Today, the select committee will draw from the expertise of individuals who are nationally recognized in the field of welfare and poverty research in order to gain a more accurate and comprehensive understanding of the complicated issues we must address. Through this forum, we will discuss the divergent views on the origins of these problems and solid options that can put us on the right track to real solutions to the welfare dilemma.

Before I yield to the other members present, I would like to make a personal observation about the importance of this hearing. In certain areas of Texas, people live in conditions comparable to those in the Third World. In Appalachia we encounter a similar situation. In many of our inner cities, there is a new culture rising. It is a culture of the poverty that is decimating the American dream for many of its inhabitants.

I ask myself why people must endure this deprivation in a Nation as wealthy in human and natural resources as our own. It is my hope with this hearing and others to follow that we can begin to understand and resolve the great questions facing the reformation of our social policy.

For the benefit of those in the audience, I would like to briefly explain the format for today's proceedings. We will hear from two panels. Each witness will present a brief opening statement after which we will proceed with questions from the committee. Should any witness on the panel being heard wish to offer remarks to a response from one of the other witnesses, such an opportunity will be presented. There are a number of issues we wish to address. Therefore, I would request that responses be brief.

Let me also welcome a great soldier in the battle against poverty in this Nation, a person who has, indeed, written several books on the issues that we will involve ourselves with here today. He is an expert in his own right, a person from across the capitol who belongs to the other body of Congress. I welcome Senator Daniel Patrick Moynihan, a very good friend of this committee, one who has always responded very positively when we have asked him to participate in our activities. We are very happy that he could join us today.

I also want to welcome Representative Richard Gephardt, who himself is leading the charge here to try to organize welfare reform in the Congress of the United States. He is the chairman of the Democratic caucus, and we are very proud to have him participate here today.

Let me now yield to the person who has initiated this hearing and a person on whom I have counted over the years as my ranking minority member on the committee. She, in her own right, has led the charge against hunger and poverty in this country. May I present Marge Roukema from New Jersey.

[The prepared statement of Mr. Leland appears at the conclusion of the hearing, see p. 66.]

OPENING STATEMENT OF HON. MARGE ROUKEMA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mrs. ROUKEMA. Thank you, Mr. Chairman. Of course, I want to thank you, Chairman Leland, for scheduling this important hearing. The chairman was very receptive to my request for the hearing and I appreciate his attentiveness. I trust it will be a significant time for all of us, a first step in addressing the intractable problems posed by poverty and the welfare system in the United States.

I am pleased to welcome our witnesses here this morning for this discussion about the central issues of hunger and poverty, and extend our profound appreciation for the imposition on their time and their generous acceptance. I also wish to greet Senator Moynihan and our other guest, Congressman Gephardt.

My interest and concern about the problems of poverty, especially among female-headed households, predates my involvement on this particular committee. In the early part of the decade the effects of the tragic erosion of our national child support system was dramatized by a chilling increase in the child support caseload in my own New Jersey congressional district.

Further investigation produced frightening statistics. In 1980 there were 8.5 million single-parent households representing 21 percent of all families nationwide. Of these, 90 percent were headed by women. Of all the women in possession of legal child support orders, only 39 percent receive any money at all. Two-thirds of these families are dependent on Aid to Families With Dependent Children [AFDC] Program. Clearly, where there is no collection of child support, children and families fall into poverty.

Several of us in the House introduced legislation to address this disturbing trend, and we successfully passed the national child support enforcement amendments which became effective October 1985. Among its major reforms the bill provides for the withholding of wages from delinquent fathers and applies its provisions to all families, not just those receiving AFDC. That is one effort that I think Congress has undertaken effectively in the fight against poverty, particularly for women and children.

But tragically, hunger and poverty are not receding. In 1984, over 14 percent of our population, 33.7 million people, lived below the poverty line, including 21 percent of the children under age 18. These statistics become even more disturbing upon recognition that during 1984, Federal, States, and local governments spent a total of $134 billion on programs for the poor.

Now, it is not my purpose or our purpose here today to challenge the accuracy of the data or debate the methodology of collecting the data, but rather to understand the underlying socioeconomic trends which drive these data. These trends are deepening and include the disintegration of the family, the shift from an industrial economy to a service economy, and the deinstitutionalization of the mentally ill.

More troubling is the phenomenon of unemployment among healthy men who either will not seek a job or are not employable. Some attribute the problem to the failure of education. Others view it as a consequence of failed welfare policies. In any case, the demographics are contributing to poverty and hunger.

For example, female-headed households are much more likely to live below the poverty line than are male-headed households. In 1982, a Census Bureau study evaluated the effects of changes in family composition on income levels for black and white families. It found that the decline in the proportion of traditional husband/wife families and the increase in wife-only families profoundly affected family income levels. The increase in teenage pregnancy and divorce rates has measurably contributed to the growth of these poverty households.

Nationwide, especially in the urban areas, the homeless are the most visible of our poor, and this committee has studied the problems of homelessness. Clearly, communities were ill-prepared for the movement toward deinstitutionalization of the mentally ill in the 1960's and 1970's. This movement is a major factor for the growth of the homeless population. In addition, drugs and alcohol have had a debilitating effect on the poor and homeless. Until we come to grips with the failed deinstitutionalization policy of the past two decades and the problems of substance abuse, the homeless population will continue to suffer, if not grow.

Clearly, those living in poverty are not a homogeneous group. They are individuals with varied needs and strengths. They are recently divorced mothers, teenage parents, unemployed men, elderly widows, the underemployed, the mentally ill homeless, and children. With such diversity there is clearly no single cause just as there is no single cure.

The time has come for a comprehensive poverty debate to which I hope and expect this hearing will make a major contribution. An understanding of the related trends may assist us in determining a course of action. All the solutions to the problems of poverty cannot and will not come from the Federal Government. However, the Federal Government has a role to play in insuring that individuals in our society have a reasonable opportunity to attain and maintain a decent standard of living. But, the real responsibility rests with the families and with the community.

And as we are seeing today, at the State and local level there is substantial imaginative experimentation which may produce tangible results. I am referring most notably to the workfare experiments in Massachusetts, California, and other areas. These programs are being instituted quite effectively.

Mr. Chairman, I would like to note that I am encouraged that the President has called for a sweeping study of welfare reform which is being conducted within the administration by the Domestic Policy Council. And I would respectfully request, since the study's report is expected to be made public in December, that this committee ask in September for a hearing. At this hearing, the administration can provide a progress report on what its study has revealed so far and what its recommendations might be.

Chairman LELAND. The Chair would be most interested in monitoring this activity. Representative Roukema thank you for your statement.

Mrs. ROUKEMA. Given our schedule, there may be a problem, but I think that there is probably no more important issue than welfare reform on the agenda for this Congress, and more importantly, the next. I would like to know what the administration's study has indicated thus far.

In any case, I thank the witnesses for being here today and am most pleased that you, Chairman Leland, have been able to set up this hearing. I look forward to its results.

[The prepared statement of Mrs. Roukema appears at the conclusion of the hearing, see p. 67.]

Chairman **Leland**. The Chair would now like to recognize Senator Moynihan for any statement that he might wish to present.

STATEMENT OF SENATOR DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM THE STATE OF NEW YORK

Senator **Moynihan**. Mr. Chairman, I thank you and the committee for asking me here. I guess I would want to make two points that I would like to ask this committee to put on its agenda because I think they are part of your general survey.

When these issues first came up in the early 1960's, the standard of the country was up to a high of hunger, poverty in a society that was well off. Almost a quarter of a century has passed and the question of that general disparity has not felt in real terms a technical change.

I don't know how to define it. For example, median family income in this country has been flat since 15 years. There cannot have been a time in the last three centuries of this Nation where 15 years has not changed median family income.

Something like hourly wages are 15 cents an hour below what they were in 1973. In the last 18 years, manufacturing levels have decreased 15 percent. That means, if you can hang onto your job for 100 years, you might get an hourly raise at that rate.

And one other point, it goes somewhere to productivity. We have had a post-war period of about 30 years where our productivity rate insured an increase. In every 25 years it doubled.

In the rate of the 1980's, it would take 51 years. In the past, our standard of living—it's got to be the aggregate. It's got to be the subject—it's just average. Some people think the White House——

Chairman **Leland**. Mr. Gephardt.

STATEMENT OF HON. RICHARD A. GEPHARDT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. **Gephardt**. I just thank you, Mr. Chairman, and Mrs. Roukema, for having this hearing. I am thrilled to be here today. I appreciate your including me, and I appreciate the panel that you have constructed. It is obvious that we have the opportunity to look at the last 20 years and to learn from it. I know that there is disagreement about what those 20 years have meant, but the evidence is there, and we have the obligation to understand that history, as we try to forge a better and improved program for the future, and I am thrilled to be here.

Chairman **Leland**. The gentleman from Nebraska, Mr. Bereuter.

OPENING STATEMENT OF HON. DOUG BEREUTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. **Bereuter**. Thank you, Mr. Chairman.

You and the gentle lady from New Jersey are to be commended for these hearings. I will have to leave off and on this morning, because we are having a markup on an agriculture enhancement bill

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in the Committee on Foreign Affairs in which I have a great interest, but I will be here as much as possible.

I do hope that the witnesses may look at a particular matter and perhaps offer some views, and some resource suggestions.

I have a feeling that a large number of people who are illegal aliens in this country are living in poverty, and I wonder to what extent they are counted and to what extent they may be leaving that poverty-stricken status, and at what rate.

So, I hope that if any of you have some light to shed in that area, that you will make that contribution for this Member and for the select committee.

Thank you, Mr. Chairman.

Chairman **LELAND**. Mr. Levin.

STATEMENT OF HON. SANDER M. LEVIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. **LEVIN**. Thank you, Mr. Chairman.

As with the others, I am very pleased to be here. I look forward to the testimony.

It is said that there is evolving more common ground. I look forward to hear from the panels whether we are or aren't.

I have had the opportunity to talk to a number of people on the House side, and on the Senate, on welfare. I believe this hearing today will focus on the public—whatever the disagreement. The common feeling needs more work.

Thank you.

Chairman **LELAND**. Mr. Gilman.

OPENING STATEMENT OF HON. BENJAMIN A. GILMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. **GILMAN**. Thank you, Mr. Chairman, and I too want to join my colleagues in commending you and the gentle lady from New Jersey for arranging these hearings. I feel certain that it is going to help Congress collect the expert information that we need to try to fashion more effective programs, and it is good to see the senior Senator from New York joining us today, Senator Moynihan.

As a member of the Select Committee on Hunger, along with my colleagues, we have certainly heard a great deal of very important testimony over the past few months. As we try to gather the material and the information needed to take another look at where we are in domestic hunger, and what we can do about digging into this problem.

There is significant evidence that the problem of hunger in our Nation is not diminishing, and, on the other hand, is increasing at too fast a rate.

Health indicators such as infant mortality and low birth weight rates are on the rise in rural America. Growth stunting among urban poor children due to inadequate nutrition is also too common today.

The postneonatal death rate is on the upswing nationally for the first time in some 20 years. That is largely attributed to inadequate prenatal nutrition and care.

Millions of needy Americans under current law are unserved by our Food Stamp Program, and we certainly found that when we went to New York not too long ago. There was a lack of information, a lack of outreach to the people who could make use of the programs that are available.

Participants in the Food Stamp Program at the present time are over 19 million. However, right now, some 33 million Americans are still living in poverty.

Some of the officials or the experts who will appear before us today, I am sure, will attest to the growing number of American families whose daily diets are nutritionally deficient.

If we don't undertake appropriate steps to make certain that low-income families are going to be provided with the means for adequate nutrition, then hunger will continue to spiral in our Nation. Food is certainly a basic human need, and access to adequate food should remain a right for every American if we are going to make certain that the Congress maintains our Nation's historic commitment to the right to food.

Accordingly, Mr. Chairman, and our ranking minority member, I look forward to hearing from our distinguished witnesses today, and I, too, have two other hearings going on at the same time, so I will try to be in and out as frequently as I can.

Thank you.

Chairman **Leland**. I thank the gentleman from New York.

I would like to proceed with today's hearing by calling forth our first panel of witnesses: Ms. Mary Jo Bane, Mr. Michael Novak, and Mr. Peter Gottschalk.

Please come forward and take your seats at the witness table.

Let me briefly introduce each of the panel members.

Ms. Bane, it is a pleasure to have you before the committee again. Before I proceed, I would like to congratulate you on your permanent appointment at the Kennedy School of Government.

Ms. Bane, in addition to her professorship at the Kennedy School, where she has conducted extensive research on the feminization of poverty, is the executive deputy commissioner of the New York State Department of Social Services.

Mr. Gottschalk is professor of economics at Bowdoin College in Maine and a research affiliate with the University of Wisconsin Institute for Research on Poverty. He has completed fellowships with the Brookings Institution and the National Science Foundation, and is widely published in areas of social policy.

Mr. Novak presently holds the George Frederick Jewett Chair in Religion and Public Policy at the American Enterprise Institute. He is a well-respected theologian who has authored numerous books in the areas of philosophy, theology, politics, economics, and poverty.

It is indeed a pleasure to have all of you with us.

Thank you for your participation. You may proceed.

STATEMENT OF MARY JO BANE, EXECUTIVE DEPUTY COMMISSIONER, NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES; PROFESSOR OF PUBLIC POLICY, JOHN F. KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY

Ms. **Bane**. Good morning. My name is Mary Jo Bane, executive deputy commissioner of the New York State Department of Social Services and professor of public policy on leave from Harvard University's Kennedy School of Government. For a Task Force on Poverty and Welfare organized at the request of Governor Cuomo, I and my staff have been looking at the characteristics of poverty in New York State and the Nation, with an eye toward identifying policies that can speak to the diversity of the problem. Our task force has been struck, as most observers have, by the many faces of poverty in our State. This morning I would like to share a few aspects of that diversity.

First a few facts.

About one-fifth of the Nation's poor are either elderly or so disabled that they cannot work enough to support their families. Despite the enormous progress made against poverty among this group over the last few decades, and despite the relative generosity of SSA and SSI benefits, this group still exists.

About two-thirds of the nonelderly poor live in households where someone works, in many cases, full year full time. These are the working poor, often short term to be sure, who seldom get welfare and often have inadequate health insurance. The roots of their poverty are limited work hours, low wages, or large families.

Between 35 and 40 percent of the Nation's poor, in the mid-1980's were children and their caretakers in families headed by women. Though not a majority of the poor, this group has grown substantially as a proportion of the poor over the last 15 years.

Only about 6 percent of the poor in 1980 were blacks or Hispanics living in those areas of the 100 largest cities of the country that were 40 percent or more poor. These are the large city minority ghettos—a very tight definition of them to be sure, but I believe the definition inplicit in the most powerful recent journalistic portrayals. In New York State, by contrast, that number is 20 percent of the poor in inner-city ghettos, still a minority, but large enough to give New Yorkers a somewhat different perspective on the problem.

We believe that these different groups among the poor should be thought about in different ways, when one is thinking about policy. Let me comment on two: the working poor and the minority ghettos.

We believe, like everyone else these days, I suspect, that work is better than welfare and that policies ought to be designed to embody and promote that value. There are two ways to ensure that difference: to make welfare worse, or to make work better. I believe that this country has gone quite far enough, through declining benefits and quite horrendous administrative requirements, to make life on welfare unpleasant.

But we can do more to reward those who are struggling to support their families outside of welfare. The tax reform bill, and its expansion of the earned income tax credit, are extremely important steps. We could do even more to supplement the earnings of larger families with children, perhaps through something like a children's allowance. And we could certainly do more to provide health insurance and perhaps day care and other services to the working poor.

The problem of ghetto poverty is much more difficult. One can take some comfort, therefore, in the fact that we are talking about is that of the 35 million persons in poverty, 1.5 to 2 million are residents of high poverty urban areas. For these areas, the proper approach is probably to encourage, in a variety of ways, activities of religious and community groups directed especially at children and young people. Government also needs to ensure that educational and work opportunities are available to residents of these areas, so that work and motivation can indeed pay off. Genuine experimentation with a diversity of public and private approaches is the key to what must be done.

Thank you.

Chairman LELAND. Thank you.

STATEMENT OF PETER GOTTSCHALK, PROFESSOR OF ECONOMICS, BOWDOIN COLLEGE; RESEARCH AFFILIATE, INSTITUTE FOR RESEARCH ON POVERTY, UNIVERSITY OF WISCONSIN

Mr. GOTTSCHALK. Thank you.

I am going to briefly summarize the testimony that Sheldon Danziger and I prepared for the committee and I will submit the written testimony for the record.

Chairman LELAND. Let me just state that the testimony will be submitted as an official part of the record, and you may summarize.

Mr. GOTTSCHALK. Thank you.

Let me start by describing both the size of the poverty group, and the size of the underclass, and then I want to move to some specific policy recommendations.

As has been said before, there are about 33 million poor people. Over 14 percent of the population is currently poor. Those numbers are pretty widely agreed upon. We know the poverty rates have gone up from the 11- to 12-percent range achieved during the late 1970's to the 14- to 15-percent range we are currently experiencing. So poverty rates are up.

How large is the underclass, and has it grown? Here—it's a nightmare to try to pin down what we mean by the underclass. We have developed two definitions. By the loosest definition, we estimate that there are, roughly, for every person in the underclass, three people who are poor; so even if we include people in all areas, of all races, who are receiving AFDC—who are receiving welfare for long periods of time, we end up with roughly one person in the underclass for every three people who are poor.

If we use a tighter definition, we come up with 33 people who are poor for every person in the underclass, and I think that this basically reinforces Mary Jo's point that the underclass is a very small part of the poverty population, and should be perceived as such. We have poverty policies, and we are turning to policies dealing with the underclass. Those should be clearly separated in our minds.

While we believe that the underclass is relatively small compared to the poverty population, it does seem to be increasing and that is a cause for real concern. I was surprised at the increase in the proportion of people living in the low-income areas that Mary Jo has alluded to. And so it is a small group, but it is growing and therefore of some concern. That is the perspective which we use in developing our policy recommendations.

One policy approach, popular in some circles, is to say the economy will take care of those people who aren't in the underclass, and we are going to change programs to make the underclass disappear. We are going to rely on growth for the vast majority of the poor and programmatic changes for the others.

Everything which we have done has tended to show that growth by itself will not take care of those 33 million people of which a minority are in the underclass. Our latest estimates are that in 1985, poverty rates will go down from 14.4 to 14.2 percent. Maybe if we are lucky, poverty rates will go down to the high 13's. We will still be substantially above where we were in the 1970's.

We have had a recovery. It has been a relatively robust recovery, and that by itself is not sufficient to bring poverty rates anywhere near what we even achieved during the 1970's, much less what we hoped to achieve in the 1960's. Growth is something which we want, something which will help, but it is certainly not sufficient.

So, you need programs. I think there is no question about that. We look at two different kinds of programs. First, is tax reform. Obviously, Congress is to be commended. We have come a long way. We are helping low-income people. I think the facts are by now well known. There are some areas which could be expanded, and I will tick them off, or you can look at the testimony for details.

We would advocate restoring the EITC, the earned income tax credit, to its level of the 1970's in real term. Second, we would make child care credits refundable. They are currently not—if you are not paying taxes, the child care credit does not do you any good.

Finally, we advocate changing the personal exemptions to a tax credit for people who don't itemize. So, those are just the kinds of things that you can do to try to help the working poor who make up a large proportion of the poverty population.

On welfare reform, the current debate has, in fact, made us rethink our position. I think like a lot of people, I was initially not very positive about workfare. I think still in many forms it is the wrong approach, but I think that there is room for change.

What we propose is splitting off long-term welfare recipients from short-term recipients. As a rule of thumb, I will talk about short-term recipients of 6 years or less. That is basically the time to raise one child to school age.

Our view is that during those first 6 years, have a program which supports work, which allows the AFDC mothers to make decisions on her own about what is best for her circumstances. Some people would choose work. If you look at the Massachusetts program, there are lots of welfare recipients who want the work. Lots of them want training.

We have been shocked to find that people continue to work under AFDC even when there is no material gain from receiving AFDC after the 33⅓ disregard is lost. You know that Congress changed the law so that after a specific length of time welfare recipients are no longer eligible for 30⅓. In this regard, every dollar they earn, they lose a dollar's worth of benefits; people continue to work in spite of that.

So, for the short-term recipients, be supportive. I think that the Massachusetts ET Program is a good model. We would make some changes, some modifications to that program; namely, allowing people to work as much as they wanted. I think any program which claims to support work should also allow work. You will find that such a change may be expensive since in fact AFDC mothers want to work and when given the chance, they will work.

For longer term recipients, I am not comfortable with extended benefits. I don't think that it is a very good life to be on AFDC for long periods of time, for the mother herself, quite apart from the taxpayer. Things should be done to try to help long-term recipients off the program.

What we advocate is a program which offered services and required work of the able-bodied after 6 years. It is not a cruel proposal; it is a proposal which basically said, after 6 years you will be offered a job, and that job will be the way society will support you. We will no longer provide for long-term welfare recipients who can work. For those who can't work, they should be covered under an expanded, Supplemental Security Income Program.

So, I think that we have moved in the direction of splitting the AFDC population into the short-term recipients and the long-term recipients, realizing the vast majority of AFDC recipients are on for very, very short periods of time. It would be a grave mistake to treat those women as if they were long-term recipients. I think it is demeaning; I think it is counterproductive.

But long-term people who have shown by their own action that they are going to be on the program for a long time, that is a different story.

Thank you.

[The prepared statement of Mr. Gottschalk appears at the conclusion of the hearing, see p. 74.]

STATEMENT OF MICHAEL NOVAK, GEORGE FREDERICK JEWETT CHAIR IN RELIGION AND PUBLIC POLICY, AMERICAN ENTERPRISE INSTITUTE

Mr. **Novak**. Mr. Chairman, your kind invitation came at a time of the year when it was impossible for me to prepare a paper.

However, I do submit for the record a longer paper called On Social Invention, which should be appearing this month in the Yale Law and Policy Review on the subject you have assigned.

Mr. Chairman, I am not a social scientist, only a poor theologian. Ever since theologians had difficulty counting angels on pins, we have been diffident in our use of numbers, and in any such matters I would happily defer to my colleagues.

If I have any standing to speak, it is perhaps because of a longtime interest in the family and public policy, an interest which I owe to Senator Moynihan from more than 20 years ago. Also, I am chairing a working seminar of 20-some scholars on family and welfare, about which we hope to write a report by the end of this year.

I would like to mention in my testimony four of the themes which I think we will be following out and exploring.

One of the characteristics of the welfare debate at the moment is agreement about a fresh start. There is a remarkable degree of humility in the air, as virtually everyone recognizes that programs, or initiatives, or hopes, that they had once supported didn't work out as fully as they had hoped.

Second, there is a very strong tendency now to disaggregate, as Professor Bane and Professor Gottschalk suggested just a moment ago, to separate out different ones among the poor from others. It seems clear, for example, that a significant percentage of the poor must be composed of graduate students, if they are married and have two children but do not have an income of more than $11,000, as they would not at most universities known to me. So we now disaggregate among the poor—who are the poor? What different types of approaches might one take for different sorts of predicaments?

Third, to seek comfort. As we have already heard, and as almost everyone in the field is doing, to look at the problems of poor people, by disaggregating them, and pointing out that many of the problems are much smaller than we usually think, in the sense that we could really do something about them. One can sometimes be overwhelmed by 33 million altogether, but when you look at a particular segment of 2 or 3 million or 4 million, you see that, hey, we could do something about that.

So, to seek comfort, too, I think, is a very good and important move, politically speaking.

Fourth, there is a decisive move, mirrored in our politics as well as in our intellectual life, from issues to values. This means looking at reality and at problems, not solely in terms of issues, as we often used to do, but in terms of some of the underlying values that are there or that we think ought to be there and that we would like to encourage and support, if they are missing there.

Now, I would like to exemplify these points. They have already been exemplified in our testimony, and I will be very surprised if they don't continue to be. Permit me to make very brief comments on four facts, if I may call them that, and the lines of thought that they suggest.

First. The first is that 93.1 percent of intact families—that is, where husband and wife stay together—are not poor. I think that is a very significant fact, one of the most significant facts, because it points to a way out. If you can manage to keep husband and wife together, your chances are 93.1 percent not to be poor—not 100 proof, but pretty good. How can we encourage and strengthen and reward those who manage to stay together?

Second. Of the 7 million families in poverty, 1 million fall short of the poverty line only by $1,000 or less. I find that one of those comforting facts. And another 1 million only by $2,000. And, again, a third one. So, a significant percentage of our 7 million families are very close to getting above the poverty line.

Third. The entire poverty shortfall, for our 7 million families, is about $35 billion. That is, families do tend to earn some money, and if you take the income they already have, not counting noncash benefits, just the income they already have, and subtract that from the amount of money they would need—the 7 million families times the full amounts to reach the poverty line—you get the shortfall.

Once one thinks of it in these dollar terms, one sees, it is not such an immense amount, after all. That is one of the most comforting facts that inspires us to action, and gives rise to the conviction that we really could break in on this and achieve something.

Fourth. The most forgotten player in the poverty field is in one of the communities the most hardhit, the black community, and is the young black male. In a way, the emphasis on the feminization of poverty is misleading, because it draws attention away from the fact that never in American history, and not often in the history of civilized societies anywhere, has there been such widespread abandonment of women by young men.

The odd thing to explain to ourselves is how it should suddenly happen that so many are willing to become fathers but not husbands. I think it won't do to say only that behind this lies a crisis of unemployment. That is certainly true, but typically unemployment has led males to become neither husbands nor fathers.

Cornel West, a colleague of mine at the Yale School of Divinity, has written in the current issue of The Christian Century, July 16–23, 1986, a paragraph I would like to quote. He writes about—

> * * * the pervasiveness of sexual and military images used by the mass media and deployed by the advertising industry in order to entice and titillate consumers.

And now I quote further:

> Since the end of the postwar economic boom, new strategies have been used to stimulate consumption, especially strategies aimed at American youth that project sexual activity as instant fulfillment and violence as the focus of machismo identity. This market activity has contributed greatly to the disorientation and the confusion of American youth, and those with less education and fewer opportunities bear the brunt of this cultural chaos. Are we to be surprised that black youth, isolated from the labor market, marginalized by decrepit urban schools, devalued by alienating ideals of beauty, and targeted by an unprecedented drug invasion, exhibit high rates of crime and teenage pregnancy?

Now, I find that quote significant, because it appears in an article that is mostly engaged in the problems we are treating in this seminar, but criticizing the black conservative thinkers that Professor West is opposed to, for neglecting the value questions.

And that is the point on which I want to conclude. I believe there may be something to be learned about the social culture of the young male, about the values that are quite suddenly impinging on the young male in our society, and leading to choices among significant numbers of young males quite different from choices made by young males before, in our society or elsewhere.

I noted in Richard Freeman's new book on black youth unemployment, a powerful book, one small fact that caught my attention; among those interviewed in this study, about 2,000 youths in the urban ghettos that Professor Bane mentioned a moment ago, a generous estimate of how youngsters between the ages of 17 and 24 are spending their time. A generous estimate, say the researchers, is that they spend about 17 minutes a day on anything that could be considered socially useful behavior. They spend long hours hanging out. They do not spend more than 17 minutes on anything that could be called self-improvement, learning skills, doing the work in front of their eyes and around them, perhaps not for pay, and so forth.

So when we say social program, it seems to me that there might be a good deal of payoff in thinking not only of the political aspects of social, and not only on the economic aspects of social, but also on the cultural aspect of what we mean by social. What does it take to generate a culture of self-improvement, in which persons teach themselves to read and teach themselves other skills; make themselves ready to hold jobs, and teach themselves those attitudes and those habits crucial to holding jobs? And, indeed, those attitudes and those habits crucial to finding and making jobs for themselves.

What payoff might there be in concentrating, in particular, on the culture of young males, in these respects? In the 19th century, a great many volunteer programs in the United States did concentrate precisely on such problems, and quite dramatically changed the way of life of Americans.

Thank you very much, Mr. Chairman.

[Material submitted by Mr. Novak appears at the conclusion of the hearing, see p. 148.]

Chairman LELAND. Thank you.

Let me just ask the panel members if they have any statements or comments they would like to make in regard to what views have just been presented by their colleagues serving on the panel with them.

If not, I will call first on the Senator for questions, since I am aware he is going to have to leave us soon.

Senator MOYNIHAN. Mr. Chairman, I have several comments. First of all, I thank this panel for its very careful work.

I think the notion of disaggregating the large poverty population gives us a better idea of exactly who the poor are and how we can best assist them.

I would also want to make two points. The first is that we have a real problem, which I wonder if the committee would not want to think about. A lot of you, I know, are aware of this; that we have trained ourselves, improperly, to think of these problems of poverty in terms of income. We began measuring these things, and not that long. All these things we are talking about, the institute that Professor Gottschalk talked about came out of the OEO legislation in that period. The Census began to measure income, and they worked up a poverty line. It is no more than a nutritional formula—or the level like the Feenam [ph.] level in England in the 18th century, three times the minimum diet that the Department of Agriculture, the market basket to keep a family of four alive. Multiply it by three; that is the poverty line. That is nothing more than what it was and is to this day.

Just recently, we have learned to measure wealth. And, boy, have we gotten a surprise. The Census Bureau 4 weeks ago made its first ever study of wealth in America. And, wow, are some of these things spread out. Where the white-black income ratio is 2 to 1, the white-black wealth ratio is 12 to 1. And then you get down and you begin to see an aspect of poverty that I think—now we are beginning to be able to measure it. You never do anything about a problem, Mr. Chairman, until you learn to measure it.

We are beginning to see that there is a wealth component, I think—and I ask the panel. For example, if you want to really see poverty, you see the female-headed family with an income under $10,000. For black families of that level, the median household wealth is $88.

At the same time, we are beginning to find in a new study of the Joint Economic Committee, 35 percent of the wealth in the country is owned by one-half of 1 percent, the top one-half of 1 percent of the population. And I think something about the prospering capacities of household resources—is there anything to hide, is there anything—boy, Now, in the olden times we had an—outlet.

I wonder if that impression of wealth doesn't interest the panel and if they could think of a way we could usefully think about it. Mary Jo, you always have ideas.

Ms. **Bane**. As you say, Senator, starting to measure it is surely part of—part of what we are talking about.

I have not spent much time thinking about it. I——

Mrs. **Roukema**. Excuse me. Could you please pull the microphone up? We cannot hear you.

Ms. **Bane**. That's just as well because I am not sure I have an answer to the Senator's question, so it is probably just as well.

The facts that the Senator has pointed out, which just came out from the Census Bureau, are truly startling. And I think they will, as time goes on, become a component of the way we talk about poverty. I think it may end up helping us further disaggregate the groups that we are worried about, helping us further refine. I mean, my guess is, for example, that we would see if we could do it, that some of the working poor, some of the short-term poor have some assets behind them, have some buffers; and that the group which is both long-term low income and no assets is another way of defining the groups who are most likely to be in poverty for a long time.

What that implies, I am not sure. Wealth is obviously a good thing. And perhaps there are ways to—we talk about encouraging work, through the kinds of reforms we want to make in welfare; we should probably also talk about encouraging savings and encouraging the development of some of these buffers, which is something we have not, I think, spent much time on—at least I haven't.

Mr. **Novak**. Mr. Chairman, the same study by the Census Bureau broke out the components of wealth. And they are highly interesting. The chief component of wealth is homeownership. The second great correlation is, in fact, an intact family. And the third great correlation is education; at least a high school education while a college education means even more. So in some ways we see that the very same things that lead out of poverty in income lead also to accumulation of assets. In fact, one of the main economic functions of the family in history has been exactly to create such assets and to pass them on to a younger generation. Family is typically the reason why older generations work so hard, and sacrifice many things, so that their young will begin on the ladder a bit ahead of where they began. And one of the chief ways of doing that has been through ownership in a home.

By the way, home ownership is also, or was—the time may have flown us by, but it was in the last 15 years—one of the easier ways in which poor people could have begun to accumulate assets, because in our inner cities for many years property was being offered very cheap—the FHA could not get rid of it, could not unload it even at token sums of money. And many of these homes were destroyed, quite needlessly. If instead we had had programs encouraging homeownership, and the building up of assets through that ownership, then when the subsequent gentrification hit, those who owned those homes would have been very well placed, indeed.

So I do think that the Senator is quite right; that tying these two issues together, showing people how to begin accumulating and caring for assets, and helping their assets to appreciate, is a very important step in moving out of poverty.

Mr. **Gottschalk**. I have nothing to add.

Senator **Moynihan**. Mr. Chairman, I do appreciate those comments because, as Ms. Bane has said this new information is just now coming out,

Chairman **Leland**. Thank you, Senator.

Ms. Bane, to what extent can changes in poverty rates be attributed to changes in the family structure?

Ms. **Bane**. We are all going to have our own set of numbers, and I am not even sure I remember what my own are.

I think what you see when you look over time is that the proportion of the poor who are members of female-headed families has gone up. Variations in poverty are very cyclical, so that if you wanted to ask to what extent was the change in poverty between 1980 and 1985, due to changes in family structure, the answer is not much. The number of female-headed families sort of crumbled its way up, but the big increase in poverty during that time came in two-parent families because of the recession.

There is another question which is part of that, which is to—I spoke about to this committee earlier here—the extent to which female-headed families cause poverty versus the reciprocal of that; that is, the extent to which female-headed families come out of poverty. And I have done a couple of things, trying to look at the extent to which if the girls had indeed married the fathers of their children would they still be poor. And as far as I can tell among the black community, about half of them still would be; though there are obviously a lot of different ways to do that.

So I think that this family structure question is obviously a very important one. It is not the only one we ought to be thinking about in poverty, but a very important one. I think it is a very complicated one, and I think one that we are going to have to spend a lot of time worrying about.

Mr. **Gottschalk**. The rough rule of thumb in the back of my mind is that poverty increases by roughly a tenth of a point every year due to changing family composition. So if we had had the same composition as last year, poverty rates would have been 14.3 percent instead of 14.4 percent. It is not large, as Mary Jo says; but it mounts up year after year. But the large changes in poverty are coming mainly from changes in the economic conditions in the wider economy. That is the first point.

The second point is that we know very, very little about how to influence family composition. I think that most of us support the family, think it is a good thing. We live in families ourselves and, therefore, we think it is a good thing. But I am not sure how one influences people. And, furthermore, while at the same time certainly applauding any profamily move, recognizing that for some families, and probably a small minority, divorce is not the worst thing that happens to people. Sometimes, divorces are in fact the best thing. And in some ways welfare has allowed women, people who are in a bad family situation, to get out of that; have support for a short period of time until they get their act together, and then to move on.

Again, one wants to disaggregate. We are not saying it is great for 14-year-old women to have kids on their own without a father. That is certainly not what I am saying. But at the same time, let us not start acting as if the only healthy situation is man and wife forever.

Chairman LELAND. It would seem, Mr. Novak, that you placed a great deal of importance on just that fact; that for two parents to stay together, to hold the family together meant that the happiness or wealth of the family could be enjoyed.

Can you just comment on what incentives can be put in place to encourage two-parent families to stay together, if, in fact, that is what you are saying?

Mr. NOVAK. Well, I do think that is the right question, Mr. Chairman, and a good way to start thinking about it.

Let me point out that the Census Bureau reported last year, when the poverty figures came out, that if we had had exactly the same family structure, the same percentage of intact families in 1984 as we had had in 1959, we would have had 4.6 million fewer persons in poverty last year. That would have brought the poverty rate down to the 12-percent range, which was our significant low. The poverty rate was between 11 and 12 in the early 1970's.

Four million six hundred thousand is not everybody in poverty; it is a small percentage of those in poverty. But it would be awfully great if you had a program that could ease 4.6 million persons out of poverty in any given short period. That would be a major step forward.

Among incentives that you mentioned were what are the great needs of the family, and what do families actually do? If a family teaches youngsters to work hard and to be enterprising and inventive in their work, if it teaches them how to read before they come to school, if it teaches them a sense of respect for others and concern for the general welfare and for the general society, it provides incalculable services to the Republic. It does something which the Government, with all its forces and men, can barely do if the family does not do it. I have said before that the family is the original Department of Health and Human Services, and I would add of education. And when it does its work well it makes the task of Government agencies much, much lighter.

Wouldn't there be a way to meet what is one of the most difficult tasks of families today, to provide assistance in the education of their children? To give an incentive encouraging education. By the way, in the book on black youth unemployment that I mentioned, grades were a very good predictor of success in jobs; the higher the grade, the better the success in holding a job. And as the author speculates, this has something more to do with character than with talent. So couldn't one encourage this pursuit of higher education among the poor? I think that what the Congress is now doing in the tax reform, in lowering the tax burden on poor families and families just above the poverty line is much to be praised. It has always seemed to me a bit silly to be giving people food stamps with one hand, and then taxing their income with the other hand. This new step forward, I think, and the new, enlarged personal exemption for children, will show that the country values the service which families are providing for the Republic, by bringing up good, solid citizens prepared to carry their own weight and the weight of others.

Also, those of us who are older have to count on these younger folks to support us. There are more and more of us and fewer and fewer of them. So we hope they are very good citizens.

Chairman **Leland**. Mrs. Roukema.

Mrs. **Roukema**. Mr. Novak, I am sorry. I did not hear that last comment, but it made the chairman chuckle.

Could you repeat it for my benefit?

Mr. **Novak**. I just said that, well, those of us who are getting older are getting more and more concerned about the smaller cohort of younger people who have to support us in the future. So the more of those younger folks who are brought up to be very good, public-spirited citizens, enterprising and hard-working, the better for our future.

Mrs. **Roukema**. In other words, it is a matter of self-preservation in a sense—self-perpetuation.

Mr. **Novak**. It is very good for the country.

Mrs. **Roukema**. You have opened up so many avenues of discussion here that I hardly know where to begin.

However, while we are disaggregating the poverty statistics, I would like to reiterate how important child support legislation is. This legislation was crafted to deal with the growing phenomenon of men with perfectly viable incomes who are simply abandoning their families. Now, that has got to say something about the value system that is underlying our culture today. Because this situation is so shocking and disgraceful, Congress acted propitiously. I believe it relates to and makes me empathetic to Mr. Novak's stress on family structure.

Now, some may think that theological, but I think it makes eminently good social sense to focus on the family. But I do not know how to get from that basic premise to the reforms that we want in society. Child support legislation is one way, where Congress said on behalf of the society that this is not acceptable behavior; you have to take responsibility for the economic support of your children. That is one way.

There must be other pieces of legislation that we could support, for instance, income tax reform.

Before I continue, I want to say that I am sorry that Dr. Loury, who was scheduled to be here today, had to cancel because of illness in his family, or he would have been on this panel.

I hope you all have seen a television program hosted by Bill Moyers, in which Dr. Loury, Jesse Jackson, Eleanor Holmes Norton, and some others had a roundtable discussion on documentary film that graphically illustrated the shocking details of the problem of teenage pregnancy. Dr. Loury, an effective conservative spokesman, found himself in startling agreement with Jesse Jackson when they discussed the underlying value problem in the community that is contributing to teenage pregnancy and what to do about it.

I suspect that what is leading to our calls for wholesale welfare reform is the growing awareness of the problem of teenage pregnancy combined with high unemployment.

I would like to have Mr. Novak and Ms. Bane and Dr. Gottschalk address not the abstraction of the numbers, but the concrete problems that are alarming Americans—which are problems of values in some respect. We do not know quite how to deal with them.

Ms. **Bane**. Working in Government, especially in a welfare bureaucracy in a State that includes New York City, has certainly made me considerably more humble about what Government can do than I used to be as a professor. And I think I am especially humble about what Government can do with regard to the problem of families and character and values.

I think the child support legislation that the Congress passed last year is an extraordinarily important step in that direction. There is a lot more work to do for us in implementing it and in extending it so that it is a genuine fact for every man who fathers a child, that he will be responsible for supporting that child. We have a long way to go, but I think it is one of the most important things that Government can do. And we have to send that message not only to the middle-class men, who are well enough off to get divorced and who are not paying their child support, but to the young men in the ghettoes who perhaps do not have income now, but still ought to get the message that they are responsible for their children.

So I think that is a very important thing that Government can do and may be one of the most important vehicles we have for giving that message.

In terms of values and characters—and I think we have to rely not on Government for preaching about that, but on the churches, on the communities, on the parents, on groups in society who touch the lives of young men and women. I think Government can help that to happen. I think to some extent we can stay out of their way. I think to some extent we can support them. But I just have become more convinced that that very tough issue is one for Government—one where Government needs to recognize its limitations and needs to be the partner with the groups who are better at doing it than we are.

Mr. **Gottschalk**. I agree. I think that there are places where Government can help and I think there are places where Government wants to make changes and has relatively few policy handles. I applaud any attempt to strengthen the family, but I have read solutions other than child support, which has in fact worked. Wisconsin was one of the initiators of that policy, it is a good policy, it was in the right direction.

At the same time, earlier on, we were talking about how if you're disaggregating, you say this is a manageable problem, I think it is also useful in this instance to recognize that the problem of teenage pregnancy is a large problem, but one which is not growing. And that comes——

Mrs. **Roukema**. Not what? I'm sorry, not——

Mr. **Gottschalk**. Not growing.

Let me give you an example. The figures are exceedingly misleading. The figures which you hear over and over again in the press, the percentage of children growing up in households with unmarried teenage mothers is growing. That is absolutely true. I am not contesting that number. The reason that that is happening is that married women are having fewer children.

Let me give you the example which I think makes the whole thing clear. Suppose that all married black women stopped having children. What would happen to the percentage of black children growing up in unmarried households? It would go to 100 percent. That is what would happen. It would all of a sudden go to 100 percent, no matter how many children they had. The fact is that pregnancy rates among unmarried black teenagers is coming down. It is still extraordinarily high. It is still way too high for good social policy. We should try to do something. But it is not worse. It is marginally coming down.

So again, I think it is important to try to understand the facts behind the issue. I do not think we can do a lot about teenage pregnancy except through advocacy within those cultural settings within the black community, and I applaud all of those. But at the same time I think it is important to keep the problem in its proper perspective.

Mr. **Novak**. Congresswoman, there is a set of experiments in Wisconsin on the child support laws about which our seminar had a briefing. I think Professor Gottschalk would be in a better position to describe it at greater length. I cannot give you the details of it. But it does seem to me worth looking into. It looks like the most serious and comprehensive of any program that I have encountered, although I am not a specialist in that area.

To your other question, I would like again to point out that one thing Government can do is help to draw attention to problems. It is not always necessary for Government to act only through making laws. There may be very little for Government to do in the area of family and family values through the making of laws. On the other hand, there is a great deal that can be done through calling the attention of the public, and especially to those who tend to lead the attention of the public, to the crisis of values. I do not know a good word for it. Shall I say media elites or shall I say the people, meaning the kind of people who show up in People Magazine? Those are not all kinds of people, but they are the people who tend to be used in advertisements to draw our attention to products and to causes of all sorts. That small number does set the standards for what is in, what is sophisticated, what has status. Their values percolate right down to every level of society.

Now, when intelligent public leaders draw the attention of such folks to a problem they have never even thought about—hunger in Africa, environmental issues as of 20 years ago, the dangers of smoking, the health benefits of jogging—it is incredible that no church in America could have gotten as many Americans out jogging as a moral discipline, as we have managed to achieve by other routes in the last 10 years—that seems to work. It is amazing the changes that can occur in the moral life, if you begin to see how important our institutions of culture are in drawing our attention to things. And, politically, you do play a role in that.

Mrs. **Roukema**. Well, you are as aware as I that one of the next members of our next panel has written quite a controversial book, whose basic premise is that what we have been doing has been misdirected and misguided and has reinforced the problem. He, therefore, recommends that we should abandon a good number of those programs.

On the other side of the issue, we do know that there will be a good number of proposals for either modification or new programs, or to use the perjorative to throw more money at the existing programs. After all, there has been considerable criticism of our present administration, that much of the current problem is a consequence of cutbacks in programs. That is debatable, because obviously, program cutbacks have not led to some of the underlying socioeconomic trends that have caused us to reexamine the whole thrust of the welfare system. There is a problem.

Have the solutions been part of the problem or is there quite a different problem, quite a different set of circumstances working? And whether we like it or not, this Congress and the next are going to have to deal with that. And as long as the taxpayers are picking up the tab, it is not only an appropriate subject for public policy debate, but demands action. I just hope that we take the right action. Maybe in some cases the thing to do is not to take action at all, and in other cases it is to restructure the workfare programs.

I would be happy if you would comment.

Mr. **Novak**. Charles Murray has, I think, a penetrating article in the current issue of the Public Interest, joining two points. First, that Government actions sometimes have symbolic effects, effects upon values that were not entirely thought through and were not part of the original intention of those programs. And, second, changes in the culture or cultural values can dramatically affect behavior. It is not the case that poor people or poor persons have had as many children out of wedlock as is currently happening. Granted that the numbers are falling slightly, as Professor Gottschalk said, still, the percentage is almost unprecedented. So something has changed in the culture, it would seem, and in the values.

Now, some of the things that Government programs of the 1960's did, while achieving much good—please let me underline the fact that they did a great deal of good, as well—is that they did soften the consequences of pregnancy among unmarried young women. One could well calculate that if one had a child one could get by, because one could see a great many other persons getting by; not terribly well, but getting by, and perhaps better than some others without a child.

Second, Government programs offering such assistance had, in part, the effect of removing the stigma, the moral stigma, attached to that sort of behavior. And not only that, they gave that sort of behavior a higher status. There are special programs in high schools that young pregnant women are drawn to and attend to. They get special attention and special care.

Now, once young women have such children, clearly they need help, and a good society will bring them help; no doubt about it. The fate of society is involved in the help given such children. On the other hand, how to do that without encouraging more such behavior is the most difficult assignment, which we really have not figured out how to meet. But that is where thought is now focused. And I hope we come up with some better ideas.

Mrs. **Roukema**. Thank you.

Mr. **Gottschalk**. Let me try to respond to your question.

It seems to me that Congress is going to have a very difficult decision to make if, in fact, welfare reform does become the next important issue; you are faced with a dilemma. There is a large group of women who need public assistance during short periods of time. The vast majority of people who are ever on AFDC receive AFDC for less than 2 years. It is literally the hand out when you need that hand. There is no question in my mind that getting rid of the program would severely affect large numbers of women who need help, who are not falling into the culture of poverty. At the same time, there is a much smaller number who are in fact on the program a long time. For them, you may very well want to restructure the program. That is the dilemma. Do you hurt a lot of women in order to change the values of the small number?

I am not convinced of the argument that the expansion of the programs during the 1960's changed values. I am simply not convinced of that. I know of no hard empirical evidence. I think that the Public Interest article by Charles Murray in fact admits that there is no hard empirical evidence. And, therefore, what we are left with is our own impression.

I happen to be someone who grew up in West Virginia during the 1950's and 1960's. West Virginia is not a rich State. During the 1950's and 1960's we did not have the growth in welfare—in the early 1960's; we did not have the large welfare programs. All around me were families, black and white, who were living in the culture of poverty. If you look at the Moyers report, you could take that and play it backward and say this is 1959, West Virginia; people were saying exactly the same thing. You can go back to the Poor Laws of England. People have said for decades, forever, that poverty is caused by cultural phenomenon. It is an argument. It seems to me that, of course, for a minority of the poor that is true. The question which Congress is going to have to face is, does the program cause that culture.

I know of no evidence, and I dare say that if I were sitting in your chair having to make the decision between hurting a large number of women who need the programs for a short time in order to, hopefully, change the culture of the minority who are on the program for a long period of time, I don't know how I would——

Ms. **Bane**. I want to get in on this one, too, needless to say.

The other part of the dilemma, of course, that we face with these programs is a conviction that I think most of us would share, that we do not in fact want to visit the sins of the parents upon the children. And children of the girls that we are talking about are, in fact, our future and deserve our support and our help. They deserve our support through public assistance programs. Their mothers deserve our help in getting back to school so they can be better mothers to our children. And I think that even if we do have some affect on the behavior on their mothers, our responsibility for those children requires that we do the kinds of things for them that I think many of us are talking about.

For their mothers, I think there have to be different tacts. I think Marion Wright Adelman's poster of the girl holding her baby, which says, "It's like being grounded for 18 years," I think the offering of opportunities to both the boys and the girls, so that having a child is not the only way of becoming an adult, we have got to do those things.

But I would feel bad about us as a society if we used the punishment of the children as a way of attempting to affect the behavior of their parents.

Mrs. ROUKEMA. Thank you, Mr. Chairman. And I thank the panel.

Chairman LELAND. Mr. Levin.

Mr. LEVIN. Mr. Chairman, maybe I should defer to members of the committee——

Chairman LELAND. Thank you very much. They have a high regard for your interest.

Mr. LEVIN. Well, thank you, Mr. Chairman and members of the committee. Let me, if I might, follow up.

Dr. Novak, you mentioned four themes which tended to focus on the last of the four—humility. And I think, though it isn't typical, perhaps, around here, there is some easier agreement on that issue than on some others. Disaggregation, I think that more and more so I can accept that.

Your last thought involved moving from issues to values. And I would like to, if I might, share with you the application of that through one of the areas—it is only one of them—which you spent some time on. And that is unemployment among minority youth, especially among black youth.

We know that 30 or 35 years ago, half the white youth in America were working and half of the black youth were working. Today, that figure for white youth remains at about 50 percent, for black youth, it is about 10 or 15 percent. There has been a dramatic change, a negative one, for minority youth, blacks, Hispanics, and others.

And you talked about looking at the social programs not only economically, but also in terms of their cultural aspects. And I very much agree with this and the emphasis on values. But I think we need to explore carefully what that means. I think a good test of any idea is its implementation. So if you would, taking into account the striking figures on minority youth, especially black youth, unemployment, what do we do and how do you apply your approach to some programs that have been working? For example, the Job Corps Program, which I think has had some record of success among youth and particularly among black youth.

So tell us what we do in the next year or two, or the next 5 years under your approach?

Mr. **Novak**. You are asking your question of one who has neither practiced in the implementation nor a social scientist and, therefore, I am not certain I can take on myself the burden of your test, the implementation test. I think you're asking the question in the right area, though. I would approach it, and that is all I can do, in this way.

As I look over the research in a field not my own, I am struck by the number of times that authors mention the importance of those aptitudes which have to do less with the technical aptitude of doing the job, and more with the sort of aptitude of showing up on time, not being late, not being absent from your job, having the requisite courtesies and manners that go with the job. That sort of thing can be taught, but youngsters need to know that in the approach to jobs there is a whole range of personal and moral, as well as economic skills, that need to be learned. And they need to have the opportunity to begin to learn those in their local communities.

There are two things about those local communities that catch my attention right away. First, the amount of work that needs to be done in them even without pay. That is to say, one sees all sorts of things that are in need of painting and redoing, replastering, puttying, and the windows—there is no absence of work in the same places where there are lots of workers who are not working.

And that provides the opportunity for putting those two together, the work undone and the unemployed workers. And doing that in a sustained and active way which has the added aspect of providing practice in those things that make one highly employable.

In short, what I'm coming to are the remarkable number of young people who are not so much unemployed as unemployable. They do not have a very good work record, for example, of holding onto jobs even when they get them. We should find out more about why that happens—it's not normal that that happens. There are techniques one can use to show people how not to have that happen. We haven't concentrated enough on that aspect of employment.

Mr. **Levin**. I'd like the others to comment, but isn't every effective training program focused on those aspects values you might call them, as well as the mechanical aspects of it?

So if that's true, and I think it is, it seems to me that where your comments lead you is toward some emphasis on training the unemployable. Very much keeping in mind the importance of the values—the value system, as well as the mechanical aspects of training programs.

Mrs. **Novak**. But one thing to keep in mind is that right in the communities where they are now living, there are persons who would like to see this work available in the immediate environment. Aren't you impressed by the initiative in the Congress to allow private ownership of public housing? And don't you think that that strengthens the hand of those in the community who want to upgrade the assets that they have, and to begin to care for those? And doesn't that give them a stake in teaching their youngsters how to do the various things around the house, putty the windows, plaster holes in the walls, paint, and the rest? And don't you think that that will have a long-term payoff in the employability of those youngsters?

I believe there are interventions in local communities that help the people in the local communities who already have good habits of work, and know how to teach them. You don't exactly use Government teachers to come in and do that. If you help to strengthen the hand of those who already have the talents and skills in the community, and help them to take the leadership in the community, rather than yield leadership to the agents of greater dissipation of energies, who now tend to be gaining leadership in those communities. At least, that is now happening, if what we're reading, at least about the urban ghettos that Professor Bane started off by mentioning, is correct.

Mr. **Gottschalk**. Let me give you examples of one program—of two programs.

The first just comes from what I read in the Washington Post yesterday, and I'm making no judgment about whether the allegation is true or not, but if the allegation in the Washington Post is correct, the District of Columbia has a summer program in which kids aren't expected to work. That is the allegation. If that allegation is true, that seems to me to be the best way of instilling the wrong values. There are things the Government can do if you set up a program; at least put enough money into it and to line up real work, work which is required, not make work. Require that the people come in on time because there is work to be done.

So it seems to me that if, and I underline if, I have absolutely no outside information whether the allegation is true or not, you can set up the wrong kinds of programs, you can set up programs which do exactly the opposite of what you want. That's the first point.

Second point concerns a program which I know much more about—the Job Corps Program which is exceedingly successful. Now, what differentiates the Job Corps from most training programs? It's an expensive program.

The notion that what we can do is to bring in a ghetto youth, tell him to comb his hair, and shine his shoes before he goes out for work, and say hello when the personnel director greets him, that will get the person a job is ludicrous. There is no evidence that that works.

Just simply telling people this is how to behave, go out there and behave, that's a cheap program, and you get what you pay for. There's no evidence that just simply giving people minimal skills is going to make a difference. If you're going to attack the problem seriously, it's going to cost a lot of money.

And I think that's again the dilemma. How serious are we about getting that small minority of the poor, but the minority who has the most serious problems, the underclass, out of their situation. It's going to cost a lot of money because there are no easy fixes. The reason that you all aren't getting a lot of suggestion is because all the easy fixes have been tried, and they haven't worked.

There are programs for long-term welfare recipients. The hardest group to deal with, one would think. There are programs which work for them, called Supported Work Program. Again, a very expensive program. You can get long-term AFDC mothers to work and to make the transition to be self-supporting, but not just by telling them how to behave during a job interview.

Ms. **Bane**. There may be some ways to use the welfare system on this one that could be worth experimenting with, though please don't pass a lot of it. I think one of the other things, Professor Novak, that's coming out of the conversations going on across the political spectrum, is a recognition on all sides of mutual obligations of clients and Government in a welfare system, and a willingness to say, "Yes, we really are ready to have some requirements," but there are some things that you must do to get a welfare grant, not only fill out 75 pages of forms, which is a major requirement, but perhaps some more productive things that would take 17 minutes. Perhaps some more productive things as well.

And I think a lot of the young men that we're talking about do have a hook to the welfare system. They're part of their mother's cases. They're the father of their girl friend's case. Perhaps in some States they're on their own case. And I think there are ways that we could use workfare like programs, or schoolfare, which might be a new idea, to say to some of the young men as a part of your obligation in this system you have to—if you're not back in school, and we think that's what you should be doing, then you have a responsibility to participate in some kind of a productive work program.

I think there's some experiments that would be interesting to do there and see how much of that—how much of that could go on.

Chairman **Leland**. Mr. Dorgan.

Mr. **Dorgan**. Thank you, Mr. Chairman. I appreciate the invitation to join you today. I'm sorry I didn't hear the opening statements, but I'm very interested in the subject and glad to hear your comments.

Two specific legislative proposals have been debated over the last several years, and one for a much longer period of time. The one proposal that is relatively new I believe emanates from the State of Wisconsin concerning grandparents' responsibility if, in fact, a child is born out of wedlock to their daughter. And I know it was controversial in that State.

I'd be interested in your reactions to that plan, if you've heard of it and whether you think it holds any hope in urging parents to be a little more responsible in dealing with that problem with their own children.

Ms. **Bane**. It is a controversial program, and I gather that there hasn't been too much going on even in Wisconsin.

In our State, and I think in most States as well, parents are already under law, responsible for the support of their minor children up through a variety of ages, and you have to enforce it through the family court, and the family court judges come in trying to enforce that kind of support responsibility. He says, give me a break. I'm supposed to be taking care of child abuse cases.

My enthusiasm, I guess, is less for that kind of law, not because I don't think parents should be responsible for the support of their children. I just think it would be awfully hard to really use it to make a difference. I think the kind of symbolic statement that parents have that responsibility, and ought to try to be controlling, is perhaps important, but, boy, I don't think it's a very easily implementable law, or one that would have any discernible effect.

Mr. **Novak**. Congressman, when you asked your question they were changing our microphone and both of us missed the key word. Which State?

Mr. **Dorgan**. I think it's Wisconsin, if I'm not mistaken.

Mr. **Novak**. I simply missed the——

Mr. **Dorgan**. The grandparent liability, and the teenage pregnancy situation.

Mr. **Gottschalk**. I guess I'm dumbfounded. I don't have an opinion on that law.

Mr. **Dorgan**. That never stops us from making a statement.

Mr. **Novak**. The other program—I'm trying in my own mind to discern some approach to this national problem of poverty that might be politically acceptable. I live in a conservative area in downstate Illinois. There is not a great deal of empathy for the problems of the poor, urban or rural poor. There is a belief that they will always be worthless no matter how much we spend, or what we do. And I think that translates now into what's happened over the last at least 5 or 6 years under this administration where we've done very little. And assume that other forces within the economy or within the Government could create the climate that might improve the environment for people who are not as successful. But it clearly has not worked, and, in fact, has been a failure by statistical measures.

One of the other proposals has been the suggestion of a universal service for those after high school where rich and poor, black and white, would all be expected to give 1 year of service to the country. Some could translate it into military service; others in terms of just serving through Government agencies.

But it strikes me that it may be used as a vehicle for the last gasp, the last effort, to try to provide literacy skills for those who have missed it for a number of years, some work experience, perhaps some training. I'm wondering if that is wishful thinking.

At that point do you feel that the student who has been a chronic failure in school for years and years could be turned around even if we move from his normal environment, his or her normal environment?

Ms. **Bane**. I personally think national service is a terrific idea. I'm a Peace Corps veteran. I think everybody should have done it.

I figured out, I think, that it will cost about $30 billion a year—other people probably have more accurate estimates than I in order to kind of feed and clothe the folk, 3 million of them a year, and, of course, most of the people who would be participating in the program would not be the people that we are talking about here. Most of the young people are not, in fact, more disadvantaged, and they would be the large bulk of the program.

So, as I say, I personally think it's a wonderful idea because I think it conveys a sense of service and commitment, and so on, that I would like to encourage, but I'm not sure at this point it would be the best way to spend that kind of money, and that we might be better able to devote that money to literacy programs and job programs, and so on, for a group who leads it rather than spreading it across a whole region.

Mr. **Gottschalk**. In this case I do have an opinion very much like Mary Jo's. I'm a strong believer that we owe society something that we have moral responsibility, and I think that universal service is a way for us to visibly sign onto that. The reason it's expensive is because programs are expensive when you're talking about doing something more than just a little patch work.

I think that for many males who aren't directly taking care of children, that it is a very expensive strategy to get at that group. As far as implementing it, would you require service of a teenager with a child? If not, then you won't be getting to that group. And once again, we'll find that it's very, very difficult to get to that group.

But in principle, I would applaud any move in that direction. As far as it costing $30 billion, the answer may be that your constituents, or the people from Maine where I come from, aren't going to spend $30 billion in poverty programs, but might very well be willing to spend $30 billion on the national program. I think big bucks are big bucks in certain context, and little bucks in other context.

So I have not studied the issue personally. It's just something in my own personal value system that tells me it's a very, very good idea, one which would certainly sell in Maine. I'm convinced it's a much more sellable program.

Mr. **NOVAK**. Now, in the four themes that I began with, I hesitated to include a fifth, responsibility, but my colleagues persuade me that there is now much greater consensus about that. Almost everybody is now asking how can you also hold people responsible not only for their actions but for benefits received? Those who receive benefits should, if they can, make some payment back to society that gave them those payments. If your aim though with universal service is to zero in on those who have not learned how to read, and who need help in employable skills, and so forth, why not just zero in on those without binding everybody in the country?

Mr. **DORGAN**. I wish you could. I hope I've suggested where the problem is.

Mr. **NOVAK**. But I think that—I don't agree that that's at least the only analysis availables politically.

For example, my wife's family is from Iowa where we run a small farm. It's a little bit like southern Illinois. And attitudes about poverty there are perhaps similar to those in southern Illinois. The county from which my wife comes is one of the poorest in the State, according to statistics. That embarrasses and infuriates most of the people there. Why? It is true that the income of a farmer with 200 acres or so could well be under $10,000 a year, the income. And if he or his wife aren't working at a local factory or something like that, they can't get up to the median for farmers, or thereabouts, of about $20,000 a year.

But they don't think of that income as poor, and how can they when they have a major asset in their farm? They have perhaps half a million dollars in assets, at least. So what they are thinking is poor is a little bit different from what is thought in the urban environment. Poverty in that environment also means something less, when the vast majority of people around you are earning a net income under $10,000, and when homes sell in the $30,000 range—and food is abundant—you're in a very different predicament.

Second, on the targeted programs, if you talk about black youth unemployed, please remember that, behind the percentage, you're talking about 400,000 youngsters. That's not an immense overpowering number. It's 400,000. If you simply gave them all the minimum wage for doing work, it's not that big a ticket—about $2.6 billion.

So if you wanted a service program in which any youngster who receives benefits from the Government, through his mother, through his young girlfriend, through whatever, owes a kind of service, in fact, you might well pay them that as a way of giving the benefit. You might come up with something that does both things at once instead of only one thing, that does both, give them the benefit, and extract the kind of service which is a teaching instrument. That teaches them how to work. And, again, I insist not just the techniques, but the attitudes that make you feel that you're a person of honor, and that you know how to do things yourself.

There is a second aspect to this. Suppose we look at the young women for a moment. We were on that subject a moment ago. I agree entirely with my colleagues that society wants to take care of these young children, but perhaps a woman under 20—this is just a perhaps, a philosopher's thought, not an implementation thought—perhaps if the check that went for the benefit of the infant would not go to the young mother, if she were under 19, under 20, under some age, but went instead to—in those environments where it's possible, and many of them are inner city environments, went to a local church or other agency, fraternal, or other, where the money would be used to provide two meals a day, the continuation of a high school degree, and some job training and infant care. In other words, if the money were given to the social environment, in which several such young women would come together, rather to the individual. If you give the benefit directly to the individual, she's likely to set up her own apartment, et cetera, and live in a kind of isolation, with her children also in isolation. If you gave the money—the same money—in a way that brought many together, in an environment in which they could learn the necessary skills, the skills which I think they probably desire to learn, you might step forward on the value front and simultaneously on the benefit front.

Mr. Dorgan. Thank you very much. Thank you, Mr. Chairman.

Chairman Leland. Thank you. Let me thank each one of you for your participation here today. You've been very helpful.

I would now like to ask that our second panel, Mr. David Ellwood, Mr. Charles Murray, Mr. Robert Greenstein, and Mr. Robert Reischauer, come forward and be seated at the witness table.

Mr. Ellwood is a professor of public policy at the John F. Kennedy School of Government. He has served on the National Academy of Science Committee on the Status of Black Americans, the Task Force on Poverty and Welfare under New York Governor Mario Cuomo; the Project on the Welfare of Families, under Arizona Gov. Bruce Babbitt; and as a review panel member of Manpower Demonstration Research Corp.'s work and welfare demonstration evaluation.

Mr. Charles Murray is a social scientist and writer. He is presently a senior fellow with the Manhattan Institute for Policy Research. His published writings include "Losing Ground," a thought-provoking historical examination of American social policy.

Mr. Robert Greenstein is the director of the Center on Budget and Policy Priorities. Prior to his appointment as Administrator of the Food and Nutrition Service during the Carter administration, he was project director for the Community Nutrition Institute. Mr. Greenstein has published numerous articles addressing American social policy.

Mr. Robert Reischauer is presently a senior fellow with the Brookings Institute. His previous positions include senior vice president of the Urban Institute and Deputy Director of the Congressional Budget Office. His writings on the budget process and political economy have been extensively published.

Gentlemen, you may proceed according to the order in which I have introduced you.

STATEMENT OF DAVID T. ELLWOOD, ASSOCIATE PROFESSOR OF PUBLIC POLICY, JOHN F. KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY

Mr. Ellwood. Thank you, Mr. Chairman. The acoustics leave something to be desired here, so I hope people can hear me.

I'd like to tackle straight on the questions that you've already talked about extensively today: What Government does and doesn't do for the poor, who is responsible for poverty, and why people are poor.

I'd like to focus exclusively now on families with children because I think they evoke our greatest concern. I think that it's very useful to think of there being three groups of poor families with children. The first group is male-headed families, typically two-parent families, and I'll use those sort of as synonyms. The second group is female-headed families, single-parent families. And the final group, and the group frankly that's gotten all the emphasis today, and I think somewhat to the detriment of social policy, is what I would call the isolated or concentrated poor, the ghetto poor.

I would like to start by emphasizing the point that I'll return to which is that by any reasonable definition the people in these very poor areas are about 10 percent of the poor. They are the most troubled and they have the most serious problems. But when you see an article by Leon Dash of the Washington Post, or when you see Bill Moyer's reports, remember that you're talking about the worst 10 percent of the poor people, not the other 90 percent. And if we make all our social policy based on what we see there and the fears of what we see there, we're going to have a case of the tail wagging the dog. And I'll return to that briefly.

Let me first talk about male-headed families. Half the kids that are poor in America are in two-parent male-headed homes. And these are not mainly people that were lawyers that went to Vermont. Why are these people poor? Why are these families poor? The answer turns out to be incredibly simple. The No. 1 reason is low pay. The No. 2 reason is jobs. And the No. 3 reason, far down the line, is disability.

Now, that sounds like a little bit of gibberish. But let's look at the facts. In 40 percent of the poor families with children, at least 1 percent is working full year, full time. Now, these families are not poor because they're lazy or don't have traditional values. They're not outside the mainstream. They are the mainstream. The point is that their earnings are insufficient to raise their family above the poverty line.

Then there's another group of about 40 percent, who when asked why they didn't work more, report that they aren't able to find work. Are they telling us the truth? I think so. First, most of them did work some during the year, and second if you look and see what happens to those people in good times and bad, there's enormous variation indeed. When the unemployment rate drops dramatically the number of people in this situation drops dramatically.

In fact, one can predict completely the overall poverty rate among two-parent families with just two things; the earnings of full year, full-time male workers, in other words, wages, and the unemployment rate. That worked in 1960. It worked in 1970. It work in 1980, and it works today. The economy is what determines the situation of the overwhelming majority of two-parent families, the trickle-down theory in some sense works for this group. When the economy is growing, when jobs are increasing, when there are higher wages, these people do better.

Remember that's half of the poor children. Don't get trapped in the model that all the poor are somehow completely isolated from our society. It's a group that's behaving very much as part of the mainstream. They're left out of the mainstream only in the sense that they may not have medical protection; they don't have the economic position to take care of their children at a level above the poverty line.

Next thing I'd like to talk about female-headed families, here the issue is not nearly so simple. There are two aspects that one needs to address though, it seems to me.

One is there has been this dramatic increase in the number of female-headed families, and the question is why. It's very easy to turn and look and blame the social welfare system, and, in particular, blame the AFDC and things of that sort.

The problem with that explanation is that there's been no serious academic study that's demonstrated any kind of serious link, but academic studies seem to convince almost anyone except the people that write the studies themselves. Yet, a simple fact may help. During the period of the 1970's and 1980's when the number of children in female-headed families was skyrocketing, the number of children on AFDC was falling. It's a very hard story to tell that everyone is getting into a female-headed familiy in order to get AFDC when the number of people on the program is going down.

Why are single mothers poor so often? Part of the reason is the same kind of jobs and pay issues as affect two-parent families. Obviously opportunities are more limited for women than even for men. But part of what's going on also has to do with taking care of children and household responsibilities.

Why shouldn't we expect these women to work more? Shouldn't we expect them to support themselves? Well, if the goal is to have women to be totally self-supporting and to support their families, then what we're asking of women is that they work all the time, full year, full time. Even then a lot of women will still be poor, but far fewer would.

Well, with wives working so much isn't that a reasonable expectation? Wives do work. Married mothers do work quite often, but they tend to work part time. They rarely work full year, full time. Only about 30 percent of all mothers work full year, full time, and even less than that of women with young children.

So that what you're asking, if you're asking all female-headed families to work all the time in order to be self-supporting, is if they do something which is dramatically different from the mainstream of America, the mainstream of American women.

Now, that may be desirable, but one also has to ask whether it's practical. One also has to wonder about the children. Is that what we want for our children ? Do we want to insist that all mothers in this sort of situation work all the time? I am skeptical.

Finally, if we're going to talk about responsibility, we have heard some talk already about the responsibility of the absent fathers, and at times I get the sense that people think we've solved that one now. Congress passed a law and we're all set. We're so far away from the situation where we're holding every father responsible for their child, it's just frightening.

Less than half of all absent fathers contribute anything toward child support, and the new law isn't going to change that very dramatically. The big problem is there's a large number of fathers that we never go after at all. If you're a father of a child and you never married the mother, the odds that we'll actually go and find you and then get a court settlement are virtually nil.

We ought to expect something from virtually every absent parent. I'm not saying we should do this because of the money involved, although there is some money to be had. I'm saying that we ought to do this because it is right. If we believe in responsibility, it seems to me that's a marvelous place to start.

I do think it's reasonable to expect women to do more for themselves, but I think part-time work is about as much as is realistic at this stage, since that's what most married mothers do, and then they're going to need additional support. It's simply not possible in our society to support yourself on part-time work.

Finally, let me talk about the concentrated poor. And I guess the most troubling thing I've heard here today, and I hear consistently, is this group has become our stereotypical person. We talk about their values. We talk about them this, them that. Well, regardless of what you believe about this group, remember that the group that you see on Bill Moyers, and so forth, is maybe 5, maybe 10 percent of the poor population.

Now, it may be the worst 5 or 10 percent. There's no question of what's going on there is very, very troubling. But don't let again the tail wag the dog. Don't impose workfare, for example, because of what we see in the ghettos. Workfare may or may not be a good thing, but what we see in the ghetto is certainly not the basis on which that judgment ought to be made when the overwhelming majority of people just aren't there.

But what about these concentrations of poor people? We hear about a group of people that has stopped believing in the mainstream, stopped having a sense that they should work. Stopped believing that it's even possible to leave the sort of underground environment that they're in and move into the mainstream.

Now, we hear people like Charles Murray on my left here saying that a large part of the reason for this is that we penalize the virtuous and rewarded the dysfunctional. And no doubt, that has happened to some degree.

Yet I think the real blame lies elsewhere.

We have a social system that concentrates these people, and isolates them, so that all they see around them is other people that look just like them, none of whom have done very well in our society, none of them are likely to. We have an educational system that can't even teach people to read, that can't even impart discipline.

We have an economic system that seems to offer up so little opportunity to people that one can say with a straight face it's much better for a lot of these people to go on welfare and be poor their whole lives rather than get into the mainstream and get some sort of a job, or whatever.

This is not a simple problem. This is a problem of concentration, of isolation, of deprivation, of alienation, of discrimination, and what's left is desperation. And it seems to me that—the best chance we have is to somehow offer a hope, offer a route out, give people a chance.

Now, there is no question in my mind that the welfare system, the whole social welfare system, hasn't done that. It's failed to offer people a real chance. But I'm not convinced that welfare is the reason that people see no hope. This problem existed in the 1960's before much of the welfare expansion. I don't think the problem is that the ghetto poor have been coddled—that they haven't been kicked in the pants enough. I think they've been kicked in the pants for their whole life. If the system is to offer a serious route out we must do a lot. The answer involves jobs, it may involve work-fare, it involves education. It involves a much more serious and comprehensive kind of approach than any other sort of make-shift little rinky-dink program that a lot of us like to advocate or talk about.

So my conclusion is this. When you disaggregate the poor you do see these three groups, and the key groups have very different problems. With male-headed families it's the traditional old jobs and pay. Now, that sounds liberal, but it's also conservative because trickle-down works for them. With female-headed families jobs are a part of the story; but also is the problem of the children, and what we care about the children.

And for the concentrated poor, it's much more difficult and much more complicated than any one story, any one answer.

We have to find a way to offer hope. Some people—when we do find a way, oftentimes people respond, but the fact of the matter is right now what you see is desperation and alienation.

Thank you very much.

[Material submitted by Mr. Ellwood appears at the conclusion of the hearing, see p. 85.]

Chairman **LELAND**. Thank you. Mr. Murray.

STATEMENT OF CHARLES MURRAY, SENIOR FELLOW, MANHATTAN INSTITUTE FOR POLICY RESEARCH

Mr. **MURRAY**. When the committee invited me to testify I had to tell them that because of the variety of commitments I simply would not be able to prepare my statement, and they nonetheless very kindly told me that I could come along and respond to questions if they were available. So I will stick to that.

However, let me just throw into the pot, but as I have listened since I arrived this morning, it is not clear to me what the nature of this inquiry is, and I associate myself with a lot of what some of the other speakers have said, including David Ellwood a minute ago, about the variegated nature of the problem, and to some extent, clarifying what it is that we are asking, is going to be very important in deciding which statistics make sense, and what way, and what programs might work and might not.

Chairman **LELAND**. Thank you. Mr. Greenstein.

STATEMENT OF ROBERT GREENSTEIN, DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. **GREENSTEIN**. Thank you, Mr. Chairman.

I'd like to simply cover three general areas. One, some issues relating to the impact of the larger economy in trying to distinguish the realities from some myths in the poverty area. Second, a few brief comments on what are some of the underlying factors on the increase of hunger that may be related to the larger issues before us today. And, third, a couple of comments on future policy direction.

As Peter Gottschalk stated during the first panel, I think the evidence is very strong and largely uncontrovertible that the single largest factor behind the increase in poverty in recent years has been the economy.

Some of the best work on this has been done by Mr. Ellwood in tracking, for example, the median-family income and poverty rates. He has shown that for nonelderly poverty rates there is almost a perfect match with trends in median-family income, and pointed out that since the median family is not on welfare or in the public assistance programs, it is hard to blame the welfare system for what is happening to the median family.

In addition to that, Peter Gottschalk and his colleague, Sheldon Danziger, have done some very interesting work in this area that really should give us some pause that shows that going back to 1973, when you divide all family children into five groups by income, five quintiles, the poorest, and next to the poorest, and so forth, that for the bottom fifth if there is a drop in average disposable income—for the family of four—of 34 percent after adjusting for inflation. Even after you adjust the family size, there is a drop of 25 percent.

They also show large drops, not as large but still quite significant, for the next to the bottom fifth and the middle fifth, families with children which again tell us that there are larger economic trends going on here that go way beyond the poverty population in general, and even further beyond that 10 percent of concentrated poor that we've heard about today.

One of the most important themes, and you've heard some about it today, is what's been going on with the working poor. Let me mention a few census statistics.

First, the number of prime working age individuals who work that are still poor has increased about 60 percent since 1978, and now exceeds 7 million people. These are people who work on the average of 30 weeks a year and don't escape poverty.

Second, the number of people who work full time, year round and are still poor now exceeds 2 million, and that group also has grown by about 60 percent since about 1978.

There are now 2.5 million children in families in which the worker was employed full time, year round but the family remained poor. And echoing a point that David Ellwood made a few minutes ago, when you look at who these full time, year round poor families are, contrary to what we might assume before we look at the data, it turns out that 80 percent of those families have two parents; in more than two-thirds of those families there is a full time, year round male worker; and 80 percent of those families are white.

Again, we're talking about issues with the working poor that go well beyond the typical lawyers type view of the inner city family.

When we look at what's been going on there we see a number of things. First, a larger proportion of the new jobs created in the economy now are low-wage jobs than was true in the 1960's or probably even in the early 1970's.

Second, and again some of the best work here has been done by Peter Gottschalk, there is a growing trend that goes back 15 years or so toward greater wage inequality. The people with the lowest paid jobs, don't do as well over time as those receiving average wages.

And third, the minimum wage has fallen 25 percent in relation to inflation or the poverty line since January 1981, the last time it was adjusted.

For a person working full time, year round at the minimum wage, in a family of four, that family is now $4,000 below the poverty line. A family of three is $1,500 below the poverty line, and a family of two is below the poverty line as well. You can go back 5, 6, 7, 8 years and find that many people, especially smaller families working full time, year round at the minimum wage, were above the poverty line.

These are broader economic factors. They are not related in any major way to the directions we have or have not taken in the welfare system.

The other point I would make is that we have a long-range trend here. We appear to have an increasing trend toward low-wage jobs being created. Moreover, there appears to be a continuing trend towards wage inequality. The minimum wage is continuing to fall further behind the poverty line.

Some of us believe that this is an important issue not only for economics but for the values that we have been talking about.

For those of us who are from, let's say, a white middle-class background and you're offered a job in your early 20's, perhaps not too far above the minimum wage, you know that's the beginning of a career ladder, and you're going to move up.

For people whose background does not allow them to have that same kind of vision of a career ladder, there is a growing prospect of a number of years of work at low wages below the poverty line. Often if you leave public assistance you lose your health care. Child care may not be available, particularly for families with larger numbers of children. You can be worse off working than leaving public assistance.

I think the number of us looking at these alarming figures are increasingly coming to believe that improving the conditions of the work force is a precondition for dealing with some of the other problems, including some of the underclass problems. We are not going to encourage people to make greater efforts unless the working poor look more like the heros, but increasingly our economic and political policy have made them, to oversimplify a bit, the chumps rather than the heros.

That's the direction we've been going. The working poor have been the single group most disadvantaged by the budget cuts of recent years.

Having said that, let me make a few comments about the budget cuts. Again, the work of Gottschalk and Danziger show that while the economy is the single largest factor to the increase in poverty in recent years, the second largest factor has been changes in assistance programs. The budget cuts made at Federal and State levels play a much larger factor in the big increase in poverty in the last 5 years than the demographic changes.

The Ways and Means Committee staff has compiled some statistics that are published by the Ways and Means Committee in what is commonly known as the Green Book which many of us use as the Bible for poverty.

I just want to mention one or two of these statistics. In 1979 Federal cash benefit programs were lifting out of poverty nearly 5 million people and families with children, or 22 percent of the number of people in those families who would otherwise have been poor.

Today only 14.5 percent of the people in families with children are removed from poverty by those programs. It can be argued that this is not the way to look at it because this approach doesn't include the value of noncash benefits. So it is important to consider a second set of figures from the Green Book which analyzes a broader measure of poverty counting food and housing, and using after tax income.

Here the figures are even more startling. In 1979, 37 percent of those individuals and families with childen who would otherwise have been poor were removed from poverty by these programs. Over one-third were removed from poverty.

In 1984 only 18 percent of these individuals and families were removed from poverty. We removed half as many of families with children from poverty through programs as we did in the late 1970's.

We see growing trends in inequality. We see this in the poverty figures as well as in the Census income distribution figures. Census income distribution figures show the widest gap since 1947 between rich and poor. Even small changes in inequality can have large impacts on the poverty figures.

A few quick points on the hunger issue. How can it be that although we're spending $19 or $20 billion a year on food assistance programs, hunger seems to be increasing in this country. The key program, of course, is the Food Stamp Program. Food stamp benefits are tied to the Thrifty Food Plan, which is an artificially set plan just as the poverty line itself is somewhat artificial.

The Agriculture Department data shows that only one-tenth of families spending for food at the cost of that plan get the recommended daily allowances for basic nutrients. Does that mean that 90 percent of food stamp families are malnourished or undernourished? No, it does not.

The last household food consumption data from the late 1970's showed that, at that point, half of all food stamp families supplemented the Food Stamp Thrifty Food Plan with enough additional food expenditures out of their own pockets that they were able to get the recommended daily allowances.

I would suggest that the primary development since the late 1970's has been the significant decrease, in the ability of many of these families to supplement those food stamp benefits through other expenditures of their own for several reasons.

Unemployment has been above 7 percent for 6 straight years, the longest period of that since the 1930's.

Second, and most importantly, the poorest group of the unemployed—the long-term unemployed—increased in number by 56 percent from 1980 through 1985. While there was an increase in the long-term unemployment, however, there was a tremendous shrinkage in unemployment insurance coverage, so assistance for the long-term unemployed has basically disappeared.

Last year only one-third of the unemployed received unemployment insurance in the average month, an all time record low for the Unemployment Insurance Program.

Finally, in mentioning David Ellwood's point of the people who want to work but can't find full-time work, the Census data show that the number of persons who work part time for economic reasons, in other words they want to work full time but can't find full-time jobs, increased 23 percent from 1980 to 1985.

As I mentioned, wages have eroded in purchasing power, and, of course, welfare benefits have fallen 35 percent after adjustment for inflation—25 percent if you add in food stamps—since 1970.

In other words, more long-term unemployment, less income through wages, less income through cash welfare, and finally and particularly important, increasing expenses for poor people particularly in the area of housing have contributed to the recent increase in poverty.

Two quick housing figures that I think are very significant. First, the latest Census data shows that 50 percent of all low income renter households, those with incomes below $7,000 a year, now pay at least 60 percent of their income to rent and utilities. You don't have much money left for other basic expenses if you're paying 60 percent for rent and utilities.

Second, that figure has increased dramatically in recent years. In 1975, the data show that there were fewer than 4 million low-income households paying more than half their income for rent and utilities. By 1983, there were more than 6 million households with low incomes paying more than half their income for rent and utilities.

Where do we go from here on this issue? Let me just quickly mention a number of things, none of which will make a dramatic impact but each can make a modest impact. Most of them have been mentioned before today. Tax reform, of course: I think we need to go further in the future and adjust the earned income tax credit by family size to be of more benefit to large families. This is something Bob Reischauer has been working on particularly. Welfare assistance is adjusted by family size but the earned income tax credit is not.

Again, we have to look at the connection between programs and values. If you want to emphasize the value of work, then we have to do more for the larger families with the earned income tax credit to adjust it by family size.

Second, I would like to see States follow the Federal lead and have States remove people below the poverty line from the State income tax code, just as we're doing at the Federal level.

The child support area I think is important as well. Representative Dorgan asked about the Wisconsin grandparent experiment. I would agree that the project will not have that large of an impact, but a lot of us are much more interested in the rest of the Wisconsin program that Michael Novak mentioned. In brief, the program sets a standard of percentage of income that applies as the award to all absent parents unless the court makes the finding otherwise; 17 percent of earnings there for one child or 20 percent for two are automatically withheld from wages. Unlike the 1984 act which Congress passed, this would be automatic and would not require a prior determination of delinquency.

Third, a child support insurance level. The State fills in the gap up to that level if the amount of child support withheld from the absent parents wages does not reach that level. Some of the data from the Institute for Research on Poverty suggest that if this approach works, it could have a significant antipoverty effect and also boost work incentives. Currently, when you gain a dollar from working, you lose a dollar in welfare. But if you get an additional dollar from work, you don't lose a dollar in child support payments.

In the work and welfare area, Peter Gottschalk mentioned an important idea of a 2-year system of concentrating on the long-term recipients and not spreading our limited resources thin with cheap programs over everybody. I'm worried now that in the Food Stamp Program we may end up going in the wrong direction in this area.

And also in the work and welfare area, we need to change the procedures we now have whereby we have a 100-percent marginal tax rate. We have a 27-percent top tax rate in tax reform bill, but after your fourth month on the job in welfare you lose a full dollar in assistance for every additional dollar you earn.

Health care must be made more available to the working poor who are not on welfare. Medicaid provisions, included in both Houses' reconciliation bills this year, are a significant step in that direction. Much greater experimentation with unemployment programs for young males, as has been mentioned, and work and school programs for high school students are particularly important. Stopping discriminating against two-parent families in welfare by covering them, as well as single-parent families, which the Ways and Means reconciliation bill, addresses, is important. And investing more in those preventive programs for children that work and that can have important long-range effects such as WIC, Head Start, and compensatory education, should be a priority.

Having said that, I will say that even if you did all of these things, a large part of the problem would still be with us. It's not going to suddenly go away. But I think each of these steps can have some modest but significant impact in moving us in the right direction.

[Material submitted by Mr. Greenstein appears at the conclusion of the hearing, see p. 107.]

Chairman LELAND. Thank you very much. Mr. Reischauer.

STATEMENT OF ROBERT REISCHAUER, SENIOR FELLOW, THE BROOKINGS INSTITUTION

Mr. REISCHAUER. Thank you, Mr. Chairman. I have a few general observations about policy directions for the future, and will try not to bludgeon you with any more statistics. I think you've had a sufficient dose for the morning.

Over the course of the past few years a broad consensus has developed around the proposition that our existing welfare programs aren't doing their job very well. Some people have focused on the fact that welfare doesn't provide even a minimally adequate level of support for a family in need in some regions of the country. Other observers have focused on the fact that our existing programs don't do much to provide a path out of dependency. They don't encourage independence, self-sufficiency, and even can facilitate perverse types of behavior.

The fact that conservatives and liberals have started a dialog about the shortcomings of our existing welfare programs has created a receptive climate for new approaches, experimentation, and reform. This climate presents us with an opportunity. But it also presents a risk, for when it comes to policy change we are a nation that is attracted to the quick fix or the silver bullet. We have little tolerance for slow plodding change, even in areas of policy which are as admittedly complex as welfare.

The current welfare dialog is focusing on work-welfare initiatives, notions of increased recipient obligation, programs that strengthen child support payments, and the increased devolution of responsibility to State and local governments. Each of these thrusts deserves encouragement and further support; however, we should not promise miracles. Specifically, we should moderate our expectations for reform and should make sure the public doesn't develop unrealistic expectations.

This is true on a number of dimensions. First, we should make it clear that, in the short-run, work initiatives, increased recipient obligations, strengthened child support, or devolution, are likely to have only very small impact, on the size of the welfare caseload and on the well-being of recipients. In fact, some of these initiatives could have detrimental impacts on the recipients.

Jobs may not be available in many locations. Welfare recipients may not have the skills to fill them. Family obligations, transportation problems or day care problems may limit the ability of welfare recipients to take advantage of work initiatives.

Second, we should make it clear that these initiatives are not likely to save a great deal of money, at least in the short-run. Done well, counseling, job search assistance, training, education, supported work, all the things people are talking about, cost money. Sometimes large amounts of money, as California and Massachusetts, which are into this in a serious way, have found out.

Similarly, while we can do a better job getting absent fathers to support their children, many of the fathers of welfare children who are not now paying any form of child support have very little in the way of income to share.

Third, we should be aware that all of the new initiatives that we're talking about could have some undesired short-run repercussions. For example, a strengthened program of child support such as Wisconsin is experimenting with, could have the effect of reducing the work effort of some absent fathers; it could encourage some of these men to pursue careers in the underground economy; it could lead to an increased incidence of abuse of ex-wives or children; it could force unwilling pregnant women to have abortions; it could push some of the noncustodial father's new families below the poverty level.

Similarly, work welfare programs will take some mothers out of the house and will lead to an increase in latchkey children in some of the most dangerous neighborhoods in our country. Some unpleasant situations might arise as a result of this.

Also, when one speaks of devolution of responsibility to the States, one has to be aware that this may result in some cases in greater inequities and some hardships, as well as some positive innovations.

The fact that, in the short run, these initiatives won't cause caseloads to shrivel, won't lead to massive budget savings, and could produce some negative consequences shouldn't keep us from pursuing these ideas. Compared to other alternatives, they hold out the most promise for the long run. But even in the long run we shouldn't expect that the welfare system will be able to salvage the wreckage that our other institutions have generated. As long as we tolerate high rates of unemployment, full-time jobs that do not pay enough to support a family beyond the poverty level, an education system that fails the majority of our inner city and rural children, and patterns of residential segregation that isolated our most disadvantaged citizens, we can't expect any welfare system, no matter how informed and enlightened, to be very successful.

Thank you.

Chairman LELAND. Thank you very much.

Mr. Ellwood, Mr. Murray's writings theorize that public assistance programs support behavior that keeps these low-income people in a state of poverty. How would you respond to this?

Mr. ELLWOOD. I guess I have two responses. First, it's a rather dramatic oversimplification. Mr. Murray claims the whole system of what we've been saying about the poor, what we've been doing for the poor, has sent a message that somehow or other bad behavior is rewarded, and good behavior is not.

My basic response to that is twofold. There is a narrow construction of the argument, which is that some how or other our current welfare system has caused a great deal of the problem. And again, I think if you look out and you notice the fact that I already mentioned that the number of people on welfare has fallen while the problem has increased, and when you look and see the fact that the group that we all talk about as being one of the worst groups—the young black male are eligible for no assistance whatsoever, then you become skeptical.

I think that his argument lends itself to dangerous oversimplification. What is going on in the ghettos—I've talked about a little bit before—is a combination of factors: institutions that have broken down, opportunities that aren't there, educational institutions that are not teaching and to some degree, a welfare system that doesn't seem to care and pushes the wrong direction.

But it's important to remember much of Mr. Murray's argument when he talks, much of what we've seen is focused on this small group of people. Let's not forget the male-headed family, half of the poor. It's very clear they're right inside the mainstream, and in the single-parent family there too—there's a fair amount of evidence that jobs and pay are a factor, as well as the question of what we want—how we want to raise our children.

Chairman LELAND. Mr. Murray, would you care to respond?

Mr. MURRAY. Well, I guess over the last 20 minutes I've—after a certain point all you can do really is sputter.

Chairman LELAND. Then sputter.

Mr. MURRAY. And I don't want to get into a shooting match with numbers in this venue. This is not the right place to do it.

In one sense the good news is that the bad news is wrong, and I associate myself with some of the remarks such as that. I have recently been doing some work with the panel study of income dynamics which is the longitudinal data base that has been used for so many of the numbers that have been provided today. And with all the work I did with it, one of the simplest statistics was one that I said to myself had to be a wrong number. In fact, I called up Greg Duncan, and others involved in the the panel study, because I was shocked by it. The number is this. That in 1970, among black males with just a high school education, they did have a high school education, but no college, so this is very basic stuff with a very disadvantaged group, the poverty rate is 5 percent. More precisely 4.7 percent in the panel study of income dynamics, for all those ages 20 to 64 for heading households then.

That is an incredibly low number. And in that sense, we are looking at a situation in which there's lots of good news.

Similarly, I think one of the most telling accusations which is made about the current system is the one that says look, people can work full time and still be poor.

So one of the things I did with these data was to pull out all the cases of people who in 1970 had worked more than 1,500 hours that year. I think it was 1,500. In other words, worked an awful lot of that year and were still beneath the poverty line. And I said, well, what happened to them subsequently?

What happened to them was those people who are poor and have worked that much, about two-thirds to three-fourths of them not only got out of poverty immediately the next year or so, but moved right up to middle class. And what we are observing was an age phenomenon. In most cases where they were young and they were getting started and they just moved up very quickly, and that's very positive and very good.

And when I took those who remained poor in 1980, it turned out that the numbers didn't quite match up with the image. The image of someone who is working full time and still beneath the poverty line is somebody who was crouched in misery, probably in some urban ghetto, and is working like crazy but just can't make enough to pull life together.

Well, in fact, of the ones who remained poor at that time—there were three who were disabled. Disability is a problem in that regard. The other four lived in small towns, rural areas. One of them had an income of $16,000, but he was beneath the poverty line because there were a lot of kids. That situation puts you beneath the poverty line.

Another was a single man with no children in a rural area making $7,000. Now, if you ask me, can a single person making $7,000 in South Bronx make a decent life for himself, the answer is no. If the question is whether a person making $7,000 can make a reasonable life for himself in a rural area of this country, the answer is yes. And I say that as an old inhabitant of Iowa.

However, and I apologize for this being a somewhat more lengthy response than I initially intended, having said that, there remains a very large number of people in this country who are not participating in this society and who have cut themselves off from participation for the rest of their lives. And that is what is referred to as this relatively small number. Well, the number, however you further define it, is enough that as a nation we can't just ignore it.

And having said that then, I have to reveal myself as the authentic radical that I am, because I do not think that there is any change in the welfare system that is going to fix it. I do think there is a change in social policy that will fix it, but it has to cover several different areas at one time.

You do have to have the changes in education, and they don't require expensive new curricula. They don't require exotic new teaching techniques. What we have to do is do what we've known how to do for millenia which is teach those youngsters who are ready to learn. That's a good first step.

What we have to do in poor communities is make people safe because one of the most basic questions of forming communities is safety, and we have failed in that purpose.

We have to in our welfare system in a variety of ways say, look, you are a person who is responsible for your own fate. You are not a lump. We are not going to count the dollars coming in and say $12,000 is better than $11,000 even if the $12,000 is a combination of welfare and work, and $11,000 is only from work. But it has to be a change in our whole attitude about individual's responsibility. And now I am starting to go on far too long, and I will stop by just pointing out that there are no easy fixes, as they've all said, but I do think social policy is much more to blame, as they've acknowledged.

Chairman LELAND. Yes, Mr. Greenstein.

Mr. GREENSTEIN. A couple of points. In one of the points that's been made, and Charles Murray just alluded to it, the word disaggregation has been used. There is an important difference between the people who are poor for a shorter period and then escape poverty—whether they work their way out or they get married or whatever—and those who stay poor for a longer period. It does not make sense to say the current programs are damaging to everybody and ought to be abolished when you have such a large number of people who precisely need this assistance to get over this short period and who then work their way out of poverty. I think a helpful way to look at the current programs is that they do a good job—although there could certainly be a better job done—in increasing income and improving proper nutrition, and helping people who are poor for a short time get over that difficult period. But for those people who are poor for a long period of time, the programs alleviate the distress and hardship, but don't provide a ladder out of poverty.

So what we need to look for are additional things we can do to provide a ladder out, but not instead of providing the basic assistance that's needed. I think a point that most of us would agree on is that it is much harder to figure out programs which will have a dramatic impact in providing a ladder out rather than providing support over a difficult period.

Some of the things that have had better results, Supported Work Program that was mentioned, are more expensive. There are some experiments which yield some hopeful signs. I think there's one experiment going on in New York now that links the idea of guaranteeing a part-time minimum-wage job during the school year, and a full-time minimum wage job during the summer for high school students who stay in school.

Those kinds of experiments may be some of the avenues to pursue, and some of us would also hope that in order to address the deteriorating situation of the working poor, we will encourage more people to make the necessary efforts that will help them get out of poverty.

There's one additional point that I wanted to make on this line. When we hear the discussion of the so-called corrosive effects of the existing system, one of the principal—if not the principal—points that is made is that we have a larger welfare system than we did 20 or 30 years ago when we had more illegitimacy, and that there is some kind of direct relationship here.

To be fair, Charles Murray does not say this in his book. Others have said this.

As was discussed in the first panel the facts are much more complicated than that. In fact, when you look at illegitimate birth rates for young black women, they are lower now than they were back around 1960. Moreover, the period when these rates declined the most was in the 1960's, precisely the period when welfare was expanded most.

Now, let me be clear. I am not saying that welfare was responsible for that. What I'm saying is there is not any kind of good evidence; whether you look at David Ellwood and Mary Jo Bane's study of welfare and family structure, or you simply look at illegitimate birth rates over time, you find that there has been a greater increase in illegitimate birth rates among white middle class women than among young black women over this period. Because the married birth rates have gone down so much among blacks, the proportion of all those born out of wedlock has gone up.

If welfare were causing illegitimacy, we would expect not just the proportion to go up; we would expect that for every 1,000 unmarried young black women, the number having children out of wedlock would rise as welfare increased. The opposite has occurred, in fact.

Chairman **LELAND**. Mr. Reischauer.

Mr. **REISCHAUER**. Enough has been said.

Chairman **LELAND**. Mr. Murray, you were rather animated when Mr. Greenstein was talking about the birth rate among unmarried black women. Would you like to comment on that?

Mr. **MURRAY**. Well, you see, it makes a big difference to a community as to whether there are fathers in it. So the problem that is presented by illegitimacy, especially in black communities, has very little to do with Phyllis Schafly, or the moral majority, or any other statements of how people ought to be debating.

It also has very little to do with the number of women who are having children because you have birth rates driven by all sorts of factors. The start and extremely important fact is that in poor black communities roughly 70 to 80 percent of all babies born are being born to single women. And it is not the total number of babies that's the problem. It's that when babies are being born that's the situation they're being born into, and there is—as Senator Moynihan could attest to more eloquently than I—historically these communities break down. You've got to have fathers.

So we have to quit talking about these kinds of numbers as if there's no problem out there, or if the problem is somehow not serious, and I guess that is a response I've had all morning to the numbers that I've heard thrown around. The problem is intensely serious in certain communities.

Chairman **LELAND**. Before I call on Mr. Ellwood to make his comments, let me just ask one question. I am the product of a poor black community, and also a child from a household where there was no father present. My mother raised two boys by herself. I made the statement at a retreat 2 weeks ago. It was a retreat of national black leaders in politics and business. People there were mostly concerned about some statements that had been made, especially with regard to the Moyers' report about the breakdown of the black family and the black community, because of the absence of black males heading families.

I talked about my own evolution. When my father left our family, I was 3 years old. My mother was left to fend for herself and two sons. She decided, with the encouragement of my grandmother—her mother—to go back to school. She started all over again. She had dropped out of Howard University to marry my father, and lost all of her college credits. She reenrolled at Texas Southern University in Houston. She worked for $30 to $40 a week at Marshall Drug Store at Lyon's Avenue in the fifth quarter. At the time this was the poorest black community in Houston. She was able to rear her two boys by herself, pretty much, except for the fact that we lived in our grandmother's house. Both of her children, my brother and myself, became pharmacists. I went on to become a Member of the U.S. Congress. I don't know what kind of statement that makes. I can cite for you the example of one woman who works in my district office who lived and who grew up under somewhat very similar circumstances.

Her father, I think, died at a very, very early age. Her mother reared two children by herself. She is now, by the way, an elementary school principal in Houston. I, personally, know of several other examples—these are not just isolated cases. As a matter of fact, my mother tended to associate herself with people in relatively the same situation.

How does that relate to what you're talking about? I mean, it seems that we're not necessarily in bad shape. I think to some extent other than the fact I'm a politician, I have led a rather wholesome life, and my community hopefully is a little better off for the fact that my mother had the fortitude to serve as an example to my brother and me, and hopefully for other young black children who might not have had a father or a mother.

Mr. **MURRAY**. I guess it relates in a couple of ways. One is that I don't know how old you are, Congressman.

Chairman **LELAND**. I am 41. I'll be 42 this year.

Mr. **MURRAY**. So when you are growing up, and I don't know exactly where you grew up, but in the population at large if you were living in an all black community growing up——

Chairman **LELAND**. Let me say this too, I've never sat in a classroom in my life with a white student.

Mr. **MURRAY**. OK. If you were in a black community in the 1950's and 1940's when you were growing up, coming of age, and you didn't have a father, but roughly in those years ago 80 percent of black youngsters who were being born did have fathers, and there was in that community a whole lot of different kinds of people. And so one part of the answer is that there is a real problem of proportions here. So that when we are talking about—well, the figures for Harlem suggest about 20 percent of the youngsters being born in Harlem have fathers in the house when they're being born, is a radically different situation from the one you grew up with.

And the second part of the answer, of course, is that there is nothing that intrinsically says that a woman cannot raise children by herself. But I think it has been disastrous for us to take that true statement and say, well, this is just an alternative lifestyle to have a child without a father. That in the aggregate just doesn't work out that way.

You know. Farrah Fawcett wants to have a baby without a husband, well, she has the money. She has a lot of things she can do to take care of that child. When you're talking about an 18-, 19-year-old girl with no education, no money, no father for the child, you're talking about a very different situation. It's not the kind of situation that we can tolerate large numbers in the community engaging in it.

However, having said that, one quick addendum. We are not looking at fundamental interracial phenomena. It is striking to me that something that has gotten as much press as illegitimate births should have had so little done on the most obvious of all questions, what is the relationship of illegitimate births to socioeconomic status. And the only work I've been able to do on it, rummaging around in the Library of Congress, is to come up with the State of Ohio which does publish natality data by race, by single- or two-parent family, and by town. And you can link that up with 1980 data on the percent beneath the poverty line, and with the proportion of people with a high school education. In other words, with one measure of economics, and one measure of education, and, guess what? Poor white folks have illegitimacy ratios right now that are just about as high as the ones that got Senator Moynihan so excited in the early 1960's that he wrote his report on the black family.

The rich white families and the illegitimacy ratios is just about the same as they were in 1940. Poor black families have extraordinarily high illegitimacy ratios. Middle class black families have pretty low illegitimacy ratios. It's about time that we quit referring to this as being a pervasive thing that happens at all levels of society and everybody is doing it, and that we quit talking about it as ratio. It is a socioeconomically grounded phenomenon, and has enormous implications.

Chairman LELAND. Mr. Ellwood.

Mr. ELLWOOD. There are two or three things I guess I would like to emphasize. First, this is not just a black phenomenon, it's true, but it's very much more serious than the black community, even controlling Federal income, or anything else. It's very, very different.

There is no such thing as a white ghetto. It doesn't exist. The only possible examples are in Appalachia, but a portion of poor whites live in concentrated poor white communities. They are integrated into the rest of the society, where blacks are isolated.

And I don't particularly want to comment on the specific work of Mr. Murray that I've seen, but in general the widespread view, I think, among those that studied the illegitimacy, and so forth, is that there's a major racial component. Obviously why that is and how to understand it I think is a very difficult thing.

The second thing I'd like to say is I agree entirely that anybody that minimizes the notion of illegitimacy, or the fact that people are—that children are being born to never married mothers in large numbers, is doing the world a disservice. I completely agree with that.

But I also believe the people are doing the world a disservice who want to point to the very simple reasons for that, and very simple answers to that. And the notion that somehow or other it's the welfare system that's the cause of all this evil is not supported in general by the facts that—when people look at it.

But that is not the same as saying it's not a serious problem that we don't need to do something, that we need to work extraordinarily hard on. There is little disagreement on the view that the welfare system certainly has done almost nothing to help combat the underlying problems. The hard part is figuring out what to do to help.

Still, I'd like to reiterate for the last time, it is not the whole poverty problem. People tend not to want to help people like that because they look so different, and seem so foreign. But the fact of the matter is there are an awful lot of poor people. And it's true. Mr. Murray is absolutely correct. An awful lot of the two-parent families are short-term poor families and we do nothing for them during the period of stress and hardship, and many of them are not just 1 year. Many of them are several years. But the fact of the matter is if you're in a stable two-parent home you rarely spend your entire lifetime poor. That's true. But you still are poor a lot, and a lot of the poor children living in our country are those people. And to say that because they are not poor their whole lives, therefore, they aren't worthy of our attention or consideration, misses two facts.

First of all, people really are suffering. Second, to some degree, the deprivation, instability, and problems of two parent families may be a contributing factor to the formation of single parent families which have much more difficult problems. And so ignoring those people's problems I think is short-sighted, as well as mean spirited.

Chairman **Leland**. Let me not monopolize the discussion. I'll go to my colleague, Mrs. Roukema.

Mrs. **Roukema**. Thank you, Mr. Chairman. I'm not quite sure where we are in this discussion. I'm with Mr. Murray on that subject. By the way, I do appreciate all the panels for being here, and you've been patient with your time.

I'm going to try not to get further enmeshed in the statistical game that's going on here. For those of you that were here during my opening statement, I made a categorical statement that it is not our concern, or certainly not mine, to debate the accuracy of the data, or the methodology used.

My concern is about the socioeconomic trends and demographic changes. I take it as given that we have an enormous problem on our hands. And I take it as a given that we've been spending enormous amounts of money on the problem. And I take it as a given that we in this room and the American people in their own minds, differentiate the problem. And Americans are very generous in wanting to help the so-called truly needy, the disabled, the elderly, the people who cannot fend for themselves because of mental or physical disabilities. That's their disaggregation.

The reason for the title for this hearing, the reason that the Democrats have a caucus committee on the subject, and the reason the President has announced a commission study on welfare reform is because we know that there's something wrong. And Mr. Murray is the only one, even though I disagree with him in some part, who has addressed what's wrong. The rest of you gentlemen are sitting here today trying to say that there isn't anything wrong, that it's just a matter of looking at the statistics.

Well, I'm telling you, it's not. There's something wrong. Mr. Greenstein, I hope you would correct me if I'm wrong, but if I heard you correctly, I think you were suggesting that all we need is more money spent on the same kinds of programs.

Mr. **Greenstein**. Absolutely not.

Mrs. **Roukema**. Please correct me, and differentiate yourself from your statement, and what is currently going on. Then I want to have Mr. Murray immediately jump in and tell me, Mr. Murray, what do you think about workfare programs, the work incentive programs, that are now being experimented with at State and local levels in the context of your book, "Losing Ground."

Go ahead, Mr. Greenstein.

Mr. **Greenstein**. Let me first say that I don't think what I'm saying for David Ellwood or Bob Reischauer in the slightest is that there isn't a serious problem. It may not be useful to get into an endless debate on statistics. Nor would it be useful to get into a debate as to who can beat their breast the most over how serious the problem is. But I do not think there is anyone on this panel who disagrees with what you have said, or disagrees with Charles Murray's points on the seriousness of the problem.

Let me make one particular point here. In commenting on the issue of illegitimacy as I did earlier, in some ways it would be preferable if illegitimacy was due to the welfare system. We would know how to address it. We would change the welfare system and solve the problem.

What we're trying to say is, and I think particularly the work of David Ellwood shows this, that these very serious problems are not primarily due to the welfare system. They are due to such intricate and deep underlying changes, not all of which any of us understand, that it makes it extremely difficult to figure out policy changes that will have a dramatic impact rather than a modest impact.

I think what Bob Reischauer was trying to say was that we can talk about a number of things we should do, but let's not make the mistake that was made in the war on poverty in the mid-1960's and say we're going to do a few of these things and the problem is going to go away. It's much more serious than that. A number of us are trying to suggest that another mistake that was made in the 1960's when people said if we help people help themselves by creating economic opportunity agencies, and model cities, and job training, the poverty will gradually disappear, completely ignoring the critical role of the economy. That was too much ignored then and sometimes in the discussions I think that's too much ignored now.

One additional point that I think a number of us are making is that not only do you have to distinguish long-term and short-term welfare dependency, you should distinguish long-term and short-term poverty—people who are poor on a short-term basis and people who are poor on a long-term basis.

When you look at all people who are poor in any year or over any 10-year period, and you divide them into long- and short-term poor, what you find is that the proportion of white people in a given year who are long-term poor is much less than the proportion of black people who are long-term poor.

And that, indeed, is a very significant racial difference about which we should be concerned.

Now, in terms of what we should do about this, I think because my opening statement ran on longer than I intended. I gave a very cursory sort of mention of a number of areas. But I think if you look at these areas, what will strike you is that they do not primarily suggest that we take the existing benefit programs and spend a lot more money on a lot more benefits.

In fact, what I have suggested is primarily a nonwelfare benefit approach in terms of what we should do.

The issue of reducing taxes for poor people and adjusting the earned income tax credit by family size, one in which people such as those at the Heritage Foundation strongly agree, is not a traditional more-benefit approach.

I am enthusiastic—potentially enthusiastic waiting to see the actual results in real life of the Wisconsin Child Support Experiment Program which is much tougher on child support than the 1984 law that the Congress passed.

Mrs. **Roukema**. Which, by the way, New Jersey is also instituting.

Mr. **Greenstein**. I would hope that a number of States institute different variations, not all exactly the same as the Wisconsin model, so that we can find out which approaches work and begin to move at the Federal level in those directions. If a successful approach is that significant, we probably should have a role for the Federal Government in this area, but it's premature until we get the results from States. States are serving a useful purpose as a laboratory on the child support and other areas.

In the work and welfare area, my concern is, as others have stated, that the important question is not, as has often been posed, the way these programs have been run or the number of job placements. A lot of those short-term poor will get jobs on their own anyway. It's become a way for managers to justify budgets without really changing the underlying situation. We need to know a lot more about what strategies might be effective there and then move in that direction.

I do think in the area of health care the direction the Congress has been moving since 1984 is the right one; that is, to start breaking the links between welfare and health care. This is not a prowelfare speech I am making here. We must change the situation where the main avenue to getting health care is going on welfare. But if a woman with young children gets a low-wage job, she loses that health care.

What is in the reconciliation bills, as you know, has been cosponsored by everyone from Henry Waxman to Strom Thurmond. That is an area where I am glad to see there is bipartisan support. The whole emphasis I have been placing on making it more economically attractive to work—as I think Mary Jo Bane said earlier, I could sum up some of what I am saying in her statement—"Do you make welfare more unattractive or make work more attractive, make conditions better for people who work?"

I think we have to do a lot more to make conditions better for people who work through health care and things of that sort. The one place where I specifically refer to the need for increased investment, and these tend to be relatively small programs, are in those childrens' preventive programs that have proved particularly attractive and effective. I would note that the Senate as well as the House have assumed in this year's budget resolution even before the conference increases in programs like Head Start and WIC and compensatory education.

I do think in the more traditional area that there are a couple of issues we have to look at. I do think it is still a very serious problem that welfare benefits vary as much as they do among States and are as low as they are in the South and some other States. I do think it is a serious problem that welfare benefits have fallen 35 percent in real terms since 1970. These are largely as a result of State policies, not Federal.

But as David Ellwood and others have said, we have conducted an experiment where some States have had low welfare payments and some have had high, and in every place, payments have dropped and we have not had any social benefit from it in terms of changing values. I do think that the States need to do better there. There may be some Federal policy interventions, but the basic message here is nonwelfare approaches to supplement what we are doing now, to try to provide ladders out of poverty, and enhance the situation of the working poor to make work more attractive.

Mrs. ROUKEMA. Thank you.

Mr. Murray, in your answer, would you also address yourself to the question of the high unemployment rate among young black males and whether you view this as a failure of education, a failure of programs or a problem of unemployability?

Mr. MURRAY. First, on the workfare programs speaking as an evaluator which I was for many years on such programs, I will make a prediction which is that these programs will show modest initial success because of what social scientist call the Hawthorn effect, which is that once you start something it tends to produce short-term positive results and then a couple of things will happen.

One, is that there will continue to be more and more exceptions to the workfare requirements. So, it starts out with being women with children under 6 do not have to work and men who have certain kinds of disabilities do not have to. Those will get relaxed and made more complicated. The people who are administering the program will find it exceedingly difficult both to screen accurately by these criteria and they will find it difficult to come up with the jobs and supervise them so that they are real jobs.

And we will end up with a replay of the kinds of problems we faced in CETA where people are socialized into precisely the wrong message. They hear you go to the place and the whole scam is to figure out how to get your benefit without doing any work.

Now, what I am most afraid of is that they are going to be stigmatized from both sides. They are going to be raking leaves in the court house lawn and the middle class folks will drive by in their cars and say, at last, we have gotten some of these welfare loafers to work. And the people from the neighborhood are going to drive by and they are going to say that guy is so dumb he cannot even get out of the workfare requirement. So, there is no optimism on my part.

Mickey Kaus in the New Republic stated quite precisely what you have to do to make a workfare program work and that is to be far more Draconian than anybody is willing to propose. Mickey Kaus in effect said, we have no welfare for you, but we do have a job. It pays less than minimum wage. If you want to show up and work at that job then you get paid for it, and if you do not want to show up and work at that job then you do not get anything. Now, that would work probably if you could actually implement it, but I do not think that is in the cards.

Now, let me suggest a very different view of the unemployment problem among young black males or among young males period, and it goes like this. Once upon a time in the dim, dark past 1963 and previous to that there was a clear bright line between working and not working. If you had a job you got nothing. And if you were on welfare and you got a job your welfare disappeared altogether immediately, 100 percent cut.

The notion was to have a job put you in a fundamentally different social class than not having a job and to be chronically unemployed was to be a different kind of person than people who are employed. If you are temporarily unemployed you get unemployment insurance, but that is because of the vicissitudes of the economy and everybody understands that distinction.

I suggest to you that in order for a young black man with low education to take pride in working 8 hours a day at a lousy job for fairly low wage, he is not going to do it because you provide him with no career ladder. For poorly educated people with no experience there has never been in the history of the world a career ladder. That is not the way you get into the work force and that is not the way you get security. They are not going to provide that.

You are not going to raise the wages enough to make him proud of what he is doing. The way he is going to take satisfaction in his life, working at a job which is no fun for money that is not a whole lot is because of the satisfaction that comes from saying to himself, if it were not for me my wife and children would be suffering. I am taking care. They need me. And when you take away that, when you say to people they can get along without you and the very substantive way we say that.

When you take the work situation and you erase that clear bright line and you have food stamps for people who have incomes that are too low and you have these other benefits and it is all just one continuum from people whose entire income comes from welfare, the people whose entire income comes from work. There is no real difference. We have destroyed one of the fundamental—I do not want to use the word incentives because that sounds too cold.

You have destroyed one of the fundamental reasons why working is an important component in the pursuit of happiness, if I may use that phrase. So, if you want to talk about unemployment problems among young black males I do not think the strategies we are talking about of the three members of the panel are going to make a bit of difference.

I think that we have seen in Boston with 3.5 percent unemployment now for the last couple of years, how little is taken off the top of an unacceptable high black youth unemployment rate. And we simply have to start rethinking from scratch precisely what it is that social policy ought to do in terms of making rules for peoples lives.

Mrs. **Roukema**. Thank you.

Chairman **Leland**. If the gentlemen will suspend for just a minute. I am going to have to leave. I want to apologize to the panelists for my departure. However, I will turn the gavel over to Congressman Panetta, someone who has vast experience in this area.

Before I leave I would like to recognize the presence of the youth group from St. Paul's Luthern Church in Monroe, NY. They are accompanied by Reverend Panetta. We would like to thank you for coming to our hearing.

Mrs. **Roukema**. I believe Mr. Murray has completed his answer. Mr. Reischauer.

Mr. **Reischauer**. I would like to take issues with Charles' gloomy prediction of what will happen with respect to the workfare initiatives. As I suggested in my opening statement, the benefits that can come from the work initiatives that are being experimented with in California, in Massachusetts and in a number of other States are modest overall.

But, they are not going to whither away after the spot light of national media attention is turned off. It is true that efforts like this have failed in the past. They have failed for three reasons. The first reason is that we have never devoted sufficient resources to them.

Second, the attitudes of the administrators have been generally negative in the past. These attitudes were that these welfare women are not in a position to work and should not be required to work.

And third, they failed because it is very difficult to get a woman with a young child and a 9th or 10th grade education into the labor force especially when she has had very little in the way of previous work experience.

Now, the first two of those three reason for past failures have disappeared. We are beginning a national debate about devoting significant resources to these programs.

More importantly, the general attitude, that of the public and of administrators, about these programs has shifted. It has shifted in the direction of recognizing that we should require some obligation on the part of the recipients, and that there is some hope that women with these characteristics can find and hold jobs. I think that those two changes will mean that we will see modest effects of these programs over a sustained period of time.

Mrs. **Roukema**. I would like to yield now to my colleague from Missouri, Mr. Emerson.

Mr. **Emerson**. Thank you very much for yielding.

I would like to follow up on something here. The Nutrition Subcommittee of the House Agriculture Committee, which is chaired by Chairman Panetta and on which I am the ranking member, were looking into the workfare issue several years ago. We went to San Diego and had a wonderful experience there.

We met with the board of supervisors, the mayor and city council and the administrators of the Workfare Program, and the people who were the beneficiaries of it. The total political spectrum was involved in a very positive way. Everyone from avowed libertarians to avowed socialist and a lot of Republicans and Democrats and conservatives and liberals were involved.

This was recommended to us by our three colleagues from San Diego, who also covered the political spectrum. Duncan Hunter sort of a conservative Republican, Jim Bates a liberal Democrat, and Bill Lowry is in the middle. They all had nothing but positive things to say about workfare. As a matter of fact, I think they have all testified on several occasions before our subcommittee. We could not find anything wrong with workfare in San Diego.

We asked, can somebody say something bad about it? Everyone was so positive. The people who were on the program were saying, this is really helping me. You know, I am learning a skill. If they were not actually assigned to some public service job they were in a job search club. We interviewed them. We talked with them.

They would say, this is really terrific. You know, it gets me out of my apartment. I come down here and they require me to make a certain number of phone calls to try to find a job. Everything was very, very positive about it. We know that the example in Massachusetts is having some good beneficial results.

There was a pilot program in Springfield, MO, that I heard was working pretty well, but it became involved in the local debate of those who believe in the efficacy of workfare and those who do not. Those who do not won out and consequently that pilot program was discontinued.

I do not think that other than for San Diego and Massachusetts we have a great deal on the table in terms of how workfare works and how it does not work. From what I have seen of it, I think it is a step, a positive step going in the right direction.

Now, I hear here both positive and negative comments about workfare. I wonder if there would be any reaction in terms of what I have said. Do we really know enough about it?

I might say we have considered this in the Nutrition Subcommittee last year in the farm bill legislation in which the Food Stamp Program was reauthorized. Chairman Panetta and I have an employment training section of the bill that has purposely a lot of flexibility in it. We did not want to be heavy handed and tell everybody how it ought to work, but we have said to the States you have to come up with an employment and training program. I think they have got to have that. They have got to get some data in on how they would propose to run it in another couple of months.

We purposely left to the States a great deal of flexibility in designing their Employment Training Program recognizing that what might work in San Diego or Massachusetts might not work in Cape Girardeau, MO, or Ridgewood, NJ. That is why we wanted to have the flexibility there.

Would any of you care to comment on that. Can we really apply national standards or is flexibility a good thing, or is the whole idea of workfare employment and training, is right or is it wrong?

Mr. **Reischauer**. I will try to answer that in several ways. First, I think we should make it clear that the term workfare means 50 different things in the 50 different States. It means assisting welfare recipients find jobs, job counseling, training, and supportive work as well as being required to work in a public service job in return for receiving one's welfare benefits. So, we are talking about a wide range of activities.

The evidence that the MDRC Corp. has amassed in the course of evaluating roughly a dozen of these programs is that they modestly improve the chances of getting a job particularly for women who have very little in the way of previous experience in the labor force. With respect to men on the AFDC-U, these programs have had virtually no impact.

These programs have operated in States as varied as Arkansas, Maryland, California, and Massachusetts. So, we have some sense that what we are seeing is not a function of a vibrant economy in one particular State. If one only looked at San Diego or at the ET experience in Massachusetts, one would have to be suspicious that what we were seeing was the result of an overheated economy; that women who had no work experience were being drawn into the labor force by the high level of economic activity. But there are modest impacts in places like Arkansas and Baltimore where the economy has been less vibrant. So, I think we can be modestly optimistic about these programs.

The final point that you made, I think, is a terribly important one. It was that what has characterized these programs to date is diversity. Each State has designed a program that matches the problems that it faces with its particular clientele to the environment that has been created by its local job market and economic situation.

I think that it is essential in the future to permit a lot of flexibility by the States. This does not mean that these programs should be a State-only responsibility. The Federal Government should provide some of the resources because the MDRC evidence shows that the major financial beneficiary of the savings that results from these programs is the Federal Government.

Also, the findings suggest a go-slow approach with respect to work requirement for the Food Stamp Program. This conclusion arises because the most successful groups are the AFDC mothers with little work experience. The folks who are deemed eligible for work programs under food stamps do not have the same characteristics as AFDC mothers. They look more like the AFDC-U recipients for whom these work initiatives were not a successful intervention.

Mr. ELLWOOD. There are things going on all over the country. I recently stopped in on a session of I think it is called Project Chance in Illinois. And I actually sat in on sort of an initial session for people that are on not AFDC, but the general assistance program which tends to include a group of people even worse off than the kind of people that Mr. Murray momentarily was talking about, those not bearing family responsibility.

This was a mandatory program. People had to come in and they had this first group meeting. When people came in they were surly, they were annoyed. It was clear that they regarded this as an imposition on their time. And there was someone who got up in the front and they were very, very good. They were very dynamic and exciting.

Every time somebody asked a question the person would say, you know, what have you done before. They would mention some job or something. You know, we got something in just last week just like that, maybe you could look at that. And someone else would say something else and, again, they would say, well, what about that. We could try that.

By the end these people were so excited they all came up to her afterward. They wanted to hear about these jobs. They were charged up, they were excited and they were enthusiastic. And part of what was offered here was something of a change, a hope that something could make a difference.

Now, let me correct one other notion. In Massachusetts the unemployment rate among blacks right now is 5 percent. It is not the case that the economy has not benefited these people. It has made a huge difference. What numbers are available for teenage blacks are extraordinarily low, but I do not believe the numbers.

So, one issue is that recipients actually do respond well. What is exciting about this whole thing is that recipients typically have not responded to it as a way of being beaten up. When they have really been given a chance, they have been excited about it.

The second thing that I think is important about workfare is that it puts pressure on administrators to do something more than just deliver a check, to actually provide jobs. They are required to do something to help people take the steps and make the moves. I think that too is very important. That may be the most important component.

MDRC found in their experiments that recipients responded well and that the pressure on the people was important.

The third reason I think it is kind of interesting is that I asked the head of this Illinois office what he thought about the mandatory nature of it and so forth. He said that these people have been jerked around so often by the welfare system they do not believe you are going to do anything for you. And the mandatory thing gets them in the door. It gives us a chance to look at them in the eye and actually offer them something.

So, I think those are all reasons to be excited and encouraged about this sort of program. But the only note of caution I would add is this. We still have to deal with the children. We still have to deal with the fact that most welfare mothers have young children. We still have to deal with the fact that there are other responsibilities.

I argue it is not realistic to expect in the next three decades that all welfare mothers are going to work all the time. We need another option. We need a way whereby women can work part time but be seen as providing serious and responsible economic support for their family. I think there are ways to do that. I think some expanded child support plans like Wisconsin offer that.

I think until we do that we are still going to have, 5 years down the line no matter how fast we go on workfare, we are always going to find a large number of people that will be relying on the welfare system because simply it is both unreasonable and unlikely that everyone is going to work all the time.

Mr. Greenstein. I think Bob Reischauer has really stated well the best evidence in the area. Because of your interest in the Food

Stamp Program in particular in this area let me just add a few remarks here.

This is really, I think, kind of the caveat. As we in the first panel have been saying, the best results have been for the people with the greatest barriers, unemployment and the long-term welfare recipient in AFDC. We really do not have very much evidence from the Food Stamp Program.

For the people who were short-term AFDC recipients the results were less impressive because when you had a control group, you found that almost as many people were not in the program, went out and got off the welfare roles on their own as those who went through the program. You had a much more significant effect on the long-term welfare recipients. They did not go get jobs on their own. But for some modest percentage of them, this program helped them break that barrier which is important.

At our center we are doing a large project now to try to come up with some strategies to help States think through various options in structuring their Food Stamp Employment and Training Programs. We do not fully have the expertise to do that by ourselves.

We have contracted with the Manpower Demonstration Research Corp., the leading experts on this, as well as with some other people in related key areas to write papers coming up with strategies in this area.

I, frankly, was a little discouraged or a little disappointed when the MDRC papers came in. They said that of the people who make up the food stamp work registrant case load, about one-half of them are only on the program for 3 months or so at a time. They go off fairly quickly on their own anyway.

What the papers are saying is, for people like that, these programs do not have very much impact. So the question might then be, How can we concentrate the resources in the Food Stamp Program on the people who are longer term poor.

As you designed the bill and in conference worked to alter the performance standard in accordance with the categories of households expected and the type of service provided to them, my fear as we get into this project is of an almost unreflective assumption on the part of the Department: That more is better, cover 50 percent of all job-able recipients. On the part of the States, it is easier in some ways to mount a very shallow Job Search Program where recipients come in to the food stamp office twice, say they saw these four employers, the administrator checks it off and they are out the door and States show that they are meeting the performance standard quota of 50 percent.

In some ways I am a little worried that we are going to get this confluence of the Department pushing for percentages and the States finding that that is what they have done in the past and that it is an easy way to meet the quota. In such a case, the results may be marginal at best.

I guess I would urge, in addition to general oversight, a couple of things. One is that FNS still has one of the larger Federal research budgets around. Somehow, it has escaped the budget ax to a greater degree than other portions of the FNS budget have.

It would be useful, I think, to urge FNS to put a little bit of that budget into some good evaluations in individual States to try to find out what you are really getting in the Food Stamp Program, evaluations with random assignment and control groups so we really know what is happening. And based on what you learn, it may be necessary at some point to make some midcourse corrections because I do not think your intention or that Mr. Panetta's intention was simply to be able to say, "Here is what we are doing in the Food Stamp Program." You wanted to make a difference in these people's lives as well as in program costs.

It is going to be harder to have an impact on food stamps than on AFDC because many food stamp recipients do better in finding jobs on their own, and get off the program faster on their own. It is harder to design a program that really has a significant impact on these people and it is going to take a lot of work and a number of years and some changes. And in the end, you know, we may not be able to realize the hopes that we all have for that program for that reason.

Mr. **Emerson**. Thank you. I think you have made a very constructive suggestion and I dare say that we are prepared to exercise our oversight function in this area once the States start to act.

Another thing in the select committee is that staff work is underway in cooperation with the GAO on an idea that we have kicked around from time to time. We need to have kind of one stop place where people who need public assistance can go. You know, there are all sorts of programs to help people. Some are AFDC, food stamps, shelter assistance, heating assistance, and transportation assistance, However, you have to go some place different all the time for all of this assistance.

We need to take a look, and I think we finally are beginning to take a look, at the possibility of bringing all programs designed to help people under one roof so that we can really effectively help them in whatever their area of need may be. Now, that may be too big an undertaking, and I know these different programs have different clientele and different patrons. But, I think it is a problem that needs to be explored and it is an area that needs to be explored. This committee is beginning to do that.

Mr. Murray, you did not respond to my question. Maybe you did not care to, but I did not mean to cut you off.

Mr. **Murray**. No, you did not. I had pretty much said my piece before and I guess that I will be on the line 2 years from now. If they have been a marvelous success, you can call me back and tell me I was wrong. But I am predicting no effect.

Mr. **Emerson**. Thank you. Thank you, Mrs. Roukema, for yielding.

Mr. **Panetta**. Mr. Levin.

Mr. **Levin**. Thank you. Just a brief question to Mr. Murray. You mentioned during your discussion about pregnancy out of wedlock. You said something like for many it is just an alternative lifestyle or many view it as an alternative lifestyle. We are really talking about this in terms of those who create social policy, do they think of pregnancy out of wedlock just as another alternative lifestyle?

Mr. **Murray**. That is one of the things that has changed in the last few years. During the 1970's among the academicians and among many leading lobbying groups, this was the party line. The notion that you could even use the word illegitimate to describe children born in this situation was taboo, because to say that they were illegitimate somehow implies that it is worse to be born with just a mother and no father than it is to be born to a two parent family.

And the Carter administration tried to convene a conference on the family in the late 1970's. I understand they had a great deal of difficulty because in doing so they were attacked very vehemently by people who said you are holding up the two-parent family. The New York Times—the Carter administration was in danger of saying the two-parent family was a standard family that was somehow better than other families and they came under attack for that. The New York Times——

Mr. LEVIN. But those are not synonymous, though——

Mr. MURRAY. Excuse me?

Mr. LEVIN. A one-parent family and illegitimacy——

Mr. MURRAY. Are two different things.

Mr. LEVIN. But why do you bring them up together?

Mr. MURRAY. I am making the point, sir, that the notion of illegitimate children, which I said in the past was considered an alternative lifestyle, was, in fact, considered that by a consensus of the intellectual and policymaking elites during the 1960's and 1970's.

Mr. LEVIN. Well, let me just break in. I would appreciate if you would—I know you are very busy. But I would appreciate some day when you have time to send me a paper, a document showing the—I remember your exact words—policymakers and social policy elites during the 1960's and 1970's that considered childbirth out of marriage as an alternative lifestyle——

Mr. MURRAY. It would be very easy to do, sir. And the first thing I would have in that paper would be a Xerox copy of a New York Times editorial of only a year or two ago in which they were excoriating the public school system for having a textbook in which the public school systems would somehow imply that the two-parent family was a better family.

Mr. LEVIN. But you are mixing. There is not time and we will carry this on another time. Again, you are mixing the issue of childbirth outside of marriage with the single-parent family.

Mr. MURRAY. Then I will broaden the statement to say that the single parent family is also considered an alternative lifestyle. Would that satisfy you?

Mr. LEVIN. First of all, they are two very different things.

Mr. MURRAY. They are two very different things. And I do not mean to lump the two phenomenon, except in the sense that we have considered in the past, that whether you have one parent or two parents was not better or worse, and that was a prevailing attitude and it included single parents and two parents as well—I am sorry, single parents and illegitimate births as well. I am saying that it is time that we stopped thinking that way. And to the extent that we have stopped thinking that way, we are making progress.

Mr. LEVIN. Do you know what percentage of single-parent families are the result of birth out of wedlock?

Mr. MURRAY. No, I do not have that number.

Mr. LEVIN. It would be a minority, would not it?

Mr. MURRAY. I am sure it would be.

Mr. LEVIN. Therefore, you equate it here and——

Mr. MURRAY. No, let me be precise. As a person who has himself been divorced with children, I consider a two-parent family superior to a single-parent family. And even though these things happen and there are reasons why they happen, the notion of a two-parent family being better than a one-parent family, however that one parent occurred, seems to me to be valid and appropriate and not to be encouraged.

Mr. LEVIN. Well, I would appreciate your sending me, if you would, the evidence for your statement. The record was going to be left open, that social policymakers in the 1960's and 1970's considered birth out of wedlock to be an alternative lifestyle. I would like to see the evidence—not the single-parent family, but the single-parent family which resulted from birth out of wedlock. Because I think you do a lot of lumping and you just twice lumped together conditions that are quite different and issues that are quite different.

Just like, if I might say so, and I will finish, I think your view of the impact of work on the family misses a lot. To the blue-collar worker, the job in the factory maybe did not have a career ladder in the traditional sense, but it had a security and also it did have some built-in possibilities for promotion. In much of America, for youth, that option has almost been eliminated, the blue-collar job. I think you dismissed it much like—anyway, we will carry on the discussion some other time. But I would appreciate if you could send me any evidence you have on the point we discussed.

Mr. PANETTA. Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman. I regret that I was in and out of the hearing today, but I am pleased to hear the differing views of our experts.

I would like to ask our panelists, if this has not been asked before, in the recent State of the Union Address the President made this last year he ordered a major study on Federal welfare and family policies to be completed. And because the Attorney General is chairing that domestic policy council review of welfare, given the history on welfare reform and the fact that we are now operating under some very stringent budgetary constraints, what advice would you as panelists give to the Attorney General as he prepares this study? What recommendations do you have to our committee with regard to reform?

You have touched on it along with some of your presentation. Could you just summarize what you would recommend at this point for any welfare reform?

Mr. ELLWOOD. All right. Well, a good hard question, but a very good question. The first thing I think I would want to do is to avoid the stereotyping of the poor that we tend to get into. And that means the segregation story that we have all heard about.

Too often the poor now have become a black face in the ghetto, an illegitimate mother with no interest in raising her child correctly or at least no capacity for doing so. It is really a very small part of what we see. It is a very serious and in many ways disastrous problem, but it is not the entire poverty population.

So the first issue is to try to avoid the stereotyping, try and understand and spend some time.

The second thing to do is to think seriously about all the forces that influence people and their poverty and their situation. It is so easy, as Bob Reischauer mentioned, to fall into the trap of looking for the silver bullet, and to some degree the silver bullet could be shooting you in the back as well. The notion of a silver bullet which is the cause or which is the solution.

To some degree we hear—it used to be that the silver bullet was jobs, or previous to that it was the negative income tax. Now, the current silver bullet is to do nothing, a good swift kick. I think the reality is that when you look and see and understand the different faces of the poor and their many different situations, there is a real tendency to recognize the diversity of the human condition and that in fact different people are going to require different kinds of approaches. So that what is right in the ghetto is not going to necessarily be right in other places. What is right for two-parent families is not going to be right for others.

I guess the final thing that I would emphasize is for them to seriously explore what it is might really, genuinely, make a difference in terms of helping people move into the mainstream. Now, the problem with that is, it is such an easy thing to say and such a hard thing to do.

But if one seriously explores that, one finds first that there are ways to do it. And second, that it is very, very, very hard. And simply using some simple, again, these magic bullet kinds of ideas, is not going to do it.

One needs to be realistic, one needs to have realistic expectations. Or once again, we will have welfare reform and 5 years down the line or 10 years down the line, a new Charles Murray will write a book and say look, it has done nothing. And we will say aha, clearly the poor do not want to work; clearly the poor are not interested in doing something. When, in fact, the truth is we have not recognized the difficulty and the diversity of the situation.

Mr. **Gilman**. Thank you. Mr. Murray.

Mr. **Murray**. I have for the last 2 years been asked what my serious recommendations are and I have not yet come up with a satisfactory answer to myself, even, in terms of incremental changes.

So whereas I applaud what the administration is trying to do, and I wish them well, let me say that it is my feeling first that unless we are prepared to do fundamental rethinking—not cut AFDC 10 percent and jiggle with the Workfare Program—that unless we are willing to do fundamental rethinking about social policies that span several areas, we should get used to the notion of living with an underclass of approximately its present size for the foreseeable future.

I see in the current enthusiasm for workfare and other programs, deja vu. I see the atmosphere of the 1960's and the war on poverty repeating itself. And I think 5 or 10 years down the road, you will not need a new Charles Murray to write another book saying it has failed; I will write another one. And at that point, without being at all facetious, we are going to come up against a very tough problem that we just do not want to face.

It is real easy for us to make ourselves feel good by trying hard because to tell you the truth, everybody on that panel sitting in front of me knows the deficit is not driven by the amount of money we are spending on poor people. And we can increase the amounts of money we are spending, we can say to ourselves we are trying real hard. And I think that is what we are going to do in the next couple of years. And then when it does not work out we can say, well, it is really complicated and we will have to try something else.

And what we do not want to think about is the possibility that a lot of these things, in order to be changed: First, do not involve painless solutions—you do not achieve good at no cost whatsoever in terms of pain, real human pain; and second, if it is going to be done, a lot of the most effective kinds of help cannot intrinsically be done by the Federal Government. They have to be done by communities, they have to be done by people at the lowest possible level.

And that means taking on responsibilities that far transcend signing our 1040 forms and checks for various charitable organizations. All of that is of no help at all in terms of present recommendations. But I think I would be misleading you if I thought that any of those recommendations would be of much use.

Mr. PANETTA. You have obviously done a lot of thinking in terms of how poor the programs are that exist today. Do you mean to tell me that you have not looked at fundamental changes and what we should do?

Mr. MURRAY. The fundamental change would really involve going back to redrawing that clear, bright line that I talked about between the state of working and the state of not working. And this is for reasons that have not just to do with simple economics and moving *x* number of people above the poverty line, but have to do with trying to restore the natural status which should, in fact, go with being employed as opposed to not being employed, and the kinds of rewards that brings to people and brings to families and brings to communities. That is a very drastic change.

And mind you, I feel especially queasy about recommending that kind of change when at the same time we made that we would be continuing to have huge sums of money, far greater than anything we spend on the poor, being passed around among different middle class constituencies.

So as long as we are not willing to face up to those transfer payments that are multi-tens of billions of dollars or hundreds of billions of dollars, let us make a drastic revision in policy toward poor people for their own good, speaks to me of incomplete thinking.

Mr. PANETTA. Well, I really do not follow you. What you are saying is we ought to get rid of Social Security and retirement payments for military and civil service retirees and deal with that problem before we deal with this problem. Ultimately what you wind up doing is throwing stones at everything and not coming up with a solution. We are here in Congress trying to find what the answers are. It is not enough simply to say these programs do not work.

Mr. MURRAY. Sir, you are asking not only a most legitimate question, it is the legitimate question for you to ask. And I am saying to you that my honest answer is, that whereas I can draw for you a restructured social system that I think would work, it has absolutely no relevance to the question that you have to face.

If I were to say the thing, the litmus test, that you ought to apply to the changes you do make in the programs, it would be this: As you make a change in the program say to yourself, how would this affect an 18- or 20-year-old in terms of their perception of cause and effect. To what extent will this change the way they see the world so that they think that if they behave in such and such a way they are going to get a reward and if they behave in another way, they will probably suffer some kinds of unfortunate consequences.

A great deal of what we have done has masked that cause/effect relationship. A great deal of what we have done has said to youngsters, it is not your fault that you are in the position you are in, and it is not your fault if you cannot get out of it because the world is just driving things too strongly and you do not have control over your own life. There are minor changes that can be made that will make that kind of obscuring personal responsibility less obscuring. I simply do not have much confidence that small changes are going to make any difference.

Mr. PANETTA. Mr. Greenstein or Mr. Reischauer.

Mr. REISCHAUER. Well, if I were asked to provide advice to the Meese Commission I would suggest four things. The first thing I would say is that if we are not willing to devote a greater percentage of our national resources to these problems, it is very unlikely that we are going to get much in the way of a significant improvement. Given the amount of money we spend right now, we probably have a system that is not that bad.

Second, I would advise them to avoid the temptation to devolve fiscal responsibility for these programs to lower levels of government, to the States or to the localities. We have had some experience with that approach and it has not been happy. Liberals focus on that history. But I think their focus is incorrect because the will and the attitude in this Nation about welfare programs is much more even now than it was 20, 30, or 40 years ago.

However, State budgets and State economies are subject to a lot more volativity than are the national economy and the national budget. And States have much less freedom to deficit finance.

As David Ellwood and Peter Gottschalk have pointed out, a lot of our poverty is associated with temporary variations in the strength of the economy. This suggests that we should be able to dip into our pocket and provide some extra money when the unemployment rate goes up.

We do not want the system to fluctuate as it would in Texas at this very moment where the State faces a $3 billion budget deficit and rising unemployment. We want most of the money to come from the Federal Government. That does not preclude the possibility that a lot of decisionmaking and program design could be devolved to the State level. It does say something about the source of the funds to finance welfare programs.

Third, I would urge the Commission to emphasize policies that made jobs more attractive than welfare. This means increasing the number of jobs and lowering the unemployment rate. It means trying to do something about the remuneration from jobs.

We have a capitalist economy, in which wages do not vary by family size. We should not change this. We would give up a lot in the way of efficiency if we tried.

But we do have the earned income tax credit, and other devices which can be used to assure that an individual working full time, full year, does not take home an after tax income that is below the poverty level. We should move in that direction.

I do not think that the line between work and nonwork can be drawn in a modern society as neatly as Charles Murray has done. There should be rewards from work and they should be very clear. But there is really a continuum between work and nowwork and it always will be there. Many of the individuals at the bottom who are raising young children can work only part time and at relatively low-wage job. And therefore, they will need to have their earnings supplemented by child support payments and also by public programs of one kind or another.

Fourth, I would urge the Meese Commission not to look for radical change. What we really should do is take incremental steps to modify the programs that we have now. As I suggested before, stronger child support programs, workfare, and an increased emphasis on the obligations of the recipient are incremental steps that should be pursued.

Mr. **Gilman**. Thank you.

Mr. **Panetta**. Bob Greenstein has been writing a thesis while the other gentlemen have been talking. Can you summarize it?

Mr. **Greenstein**. Well, the first summary is that I think I would agree with virtually everything Bob Reischauer just said. A few other points, a couple of them echoing things Charles has said as well.

I do think there is a danger with regard to welfare reform—I have talked to some people on the White House Task Force. I think there is a danger of coming out with something that oversells what is going to happen or how much can be done; that is, ideas of putting everything back at the local level, encourage the right values, let people lift themselves up from their bootstraps—not that some of those are not reasonable things to do.

In talking to some of those people, strangely enough, it did sound like some of the things you heard from the early war on poverty and the Great Society about how a few of these things at the community level would somehow change the world. But I think we need to be honest about the limitations of that.

Also, I would hope that the White House Commission would put out a report that illuminates and clarifies the welfare issue, rather than leading us through a whole new set of statistical debates and arguments.

A quick example: Someone did not serve the President well in writing into a speech right after the State of the Union Address, a statement that the poverty gap is *x* number of billions and our current programs spend more than that, therefore, the current system is a big waste. I am sure they did not inform the President of such things as the single largest low-income program and expenditure is Medicaid, and a large proportion of those expenditures are for institutionalized people in nursing homes. And there individuals are not counted in the poverty population. So it was an invalid comparison. I hope that we would not make political points, but try and advance the issue.

In that sense, I do think there are some areas where there is some consensus emerging and I hope the White House would help us take further: the issues of rewarding work and helping the working poor that Bob Reischauer has mentioned, and building on tax reform to look at adjusting the earned income tax credit by family size.

To try to get us beyond the idea, which I think the White House has been among those guilty of promoting it in the past, of making it sound like the answer in workfare is to just say there is a work requirement and 75 or 100 percent of the people have to do it. We must look carefully at the research on separating out long-term and short-term recipients.

The child support area is one where I think we have an opportunity not only to reduce poverty, but to enforce the right values, letting people know they have to support those kids for 18 years if they father the child and do not marry the mother.

And finally, we should take a careful look at what works and what does not, and be willing not only to say this does not work, we should cut it, but this does work and we maybe ought to do more in that area.

Mr. GILMAN. Thank you. I want to thank the panelists. Thank you, Mr. Chairman.

Mr. PANETTA. Thank you very much, Ben. I apologize for not hearing all the testimony, although I am familiar with the work of all the panelists. And I guess the—you know, obviously, there are three people on the panel that kind of work with the nitty gritty of all these programs, and therefore recognize that some of these programs do work, some are complex, some have real problems.

And obviously, Mr. Murray kind of rises above that and says what I hear at Rotary Clubs, these are all lousy programs and we ought to get rid of them. But I never get answers from Rotary Club members. And that is part of the—that is the reason I asked you that question. And I say this with all respect because I think you are a fresh thinker on this issue and I think that obviously, we do need to begin to ask those kinds of questions.

But we also need to know where to go. My experience with these programs is no matter what kind of reform you deal with, you run into several barriers. One is cost. Anything that you try to do that is dynamic or that it is new or that it is different, inevitably involves cost.

And to get any administration, Democrat or Republican, to focus additional funds in order to convert these programs into something that might be more workable. The cost required to do it makes it virtually impossible in our time. That is just one of these bitter realities that we deal with. So cost is one of the inevitable problems you run into.

Second, there is a basic commitment involved by the people who work with these programs. I have seen many of these programs work very well if you get good people who work with these programs. If you get lousy people who do not care, who are basically bureaucrats, who go there just to be able to punch buttons during the day and then leave and not care about the people that they are serving, these programs are not going to work.

But I have seen a lot of programs that have worked very well if you have committed people, and that is something that is very difficult to legislate. No matter how you design the law, you cannot legislate commitment to these programs.

The third thing is that obviously, we do want to involve the communities and we do want to involve the churches, charities, and other groups. The problem with that is that we do not dictate what happens at the community level. Communities determine what happens there.

And if you have communities that are committed and that have good leadership in those communities, then something can happen at the local level. If you do not, then what happens to the people in those communities? Do you say the hell with them? That is a question that has to be asked. Or does the Federal Government assert some kind of authority to try to deal with the people that fall between the cracks. Those are real problems that we face every time we deal with some kind of reform and welfare effort.

So I really would urge you, Mr. Murray, to take a look at some of these programs and maybe tell me how you would redesign the WIC Program or redesign the WIN Program or redesign the Food Stamp Program in a way that would fulfill the goals that you feel are important. Because frankly, it does not do me a lot of good just to say that programs are lousy. I need to know what direction we need to move in to try to make them work better.

Thank you all very much. I appreciate your testimony.

[Whereupon, at 1:35 p.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

PREPARED STATEMENT OF HON. MICKEY LELAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

GOOD MORNING. WELCOME TO THE SELECT COMMITTEE ON HUNGER'S INVESTIGATION OF POVERTY, HUNGER AND THE WELFARE SYSTEM. I WANT TO THANK OUR RANKING MINORITY MEMBER, CONGRESSWOMAN ROUKEMA, FOR HER KEEN INTEREST AND SUPPORT OF TODAY'S PROCEEDINGS.

THIS MORNING WE WILL FOCUS ON THE CAUSES AND CONSEQUENCES OF SPECIFIC, INTER-RELATED CONDITIONS THAT ARE ERODING THE GENERAL WELFARE OF MILLIONS OF INDIVIDUALS, OF COMMUNITIES, AND OF THE NATION ITSELF. THESE GRAVE PROBLEMS ARE: INCREASING NUMBER OF PEOPLE--PARTICULARLY CHILDREN--LIVING IN POVERTY AND CONSEQUENTLY THREATENED BY HUNGER; INCREASING NUMBERS OF FAMILIES HEADED BY WOMEN ALONE LIVING IN POVERTY; AND THE INABILITY OF PEOPLE IN POVERTY TO ACCESS THE LABOR MARKET.

OVER THE PAST FEW DECADES, DOMESTIC POVERTY AND HUNGER PROBLEMS HAVE EMERGED AS ISSUES WARRANTING WIDESPREAD NATIONAL CONCERN. IN MORE RECENT YEARS, THERE SEEMS TO BE A CONCENSUS THAT THESE CONDITIONS MERIT A NEW FOCUS IN THE NATIONAL AGENDA; HOWEVER, CONTROVERSY ABOUNDS AS TO THE EXTENT OF THEIR EXISTENCE, THEIR CAUSES, AND HOW THEY CAN MOST APPROPRIATELY BE SOLVED. IN SIMPLE TERMS, TO ERADICATE POVERTY AND HUNGER, WE MUST KNOW THE UNDERLYING REASONS FOR THEIR PRESENCE. SURELY, THERE IS NO SINGLE REASON WHY 33.7 MILLION AMERICANS LIVE IN POVERTY. SIMILARLY, THERE ARE A MYRIAD OF ISSUES THAT REQUIRE EXAMINATION BEFORE WE CAN LAUNCH FEASIBLE MECHANISMS TO PROVIDE THESE INDIVIDUALS A PATH TO SELF-SUFFICIENCY.

TODAY, THE SELECT COMMITTEE WILL DRAW FROM THE EXPERTISE OF INDIVIDUALS WHO ARE NATIONALLY RECOGNIZED IN THE FIELD OF WELFARE AND POVERTY RESEARCH IN ORDER TO GAIN A MORE ACCURATE AND COMPREHENSIVE UNDERSTANDING OF THE COMPLICATED ISSUES WE MUST ADDRESS. THROUGH THIS FORUM, WE WILL DISCUSS DIVERGENT VIEWS ON THE ORIGINS OF THESE PROBLEMS AND SOLID OPTIONS THAT CAN PUT US ON THE RIGHT TRACK TO REAL SOLUTIONS TO THE WELFARE DILEMMA.

BEFORE I YIELD TO THE OTHER MEMBERS PRESENT, I WOULD LIKE TO MAKE A PERSONAL OBSERVATION ABOUT THE IMPORTANCE OF THIS HEARING. IN CERTAIN AREAS OF TEXAS, PEOPLE LIVE IN CONDITIONS COMPARABLE TO THOSE IN THE THIRD WORLD. IN APPALACHIA WE ENCOUNTER A SIMILAR SITUATION. IN MANY OF OUR INNER CITIES, THERE IS A NEW CULTURE RISING. IT IS A CULTURE OF POVERTY THAT IS DECIMATING THE AMERICAN

DREAM FOR MANY OF ITS INHABITANTS. I ASK MYSELF WHY PEOPLE MUST ENDURE THIS DEPRIVATION IN A NATION AS WEALTHY IN HUMAN AND NATURAL RESOURCES AS OUR OWN. IT IS MY HOPE WITH THIS HEARING AND OTHERS TO FOLLOW THAT WE CAN BEGIN TO UNDERSTAND AND RESOLVE THE GREAT QUESTIONS FACING THE REFORMATION OF OUR SOCIAL POLICY.

FOR THE BENEFIT OF THOSE IN THE AUDIENCE I WOULD LIKE TO BRIEFLY EXPLAIN THE FORMAT FOR TODAY'S PROCEEDINGS. WE WILL HEAR FROM TWO PANELS. EACH WITNESS WILL PRESENT A BRIEF OPENING STATEMENT AFTERWHICH WE WILL PROCEED WITH QUESTIONS FROM THE COMMITTEE. SHOULD ANY WITNESS ON THE PANEL BEING HEARD WISH TO OFFER REMARKS TO A RESPONSE FROM ONE OF THE OTHER WITNESSES, SUCH OPPORTUNITY WILL BE PRESENTED. HOWEVER, THERE ARE A NUMBER OF ISSUES WE WISH TO ADDRESS. THEREFORE, I WOULD REQUEST THAT RESPONSES BE BRIEF.

PREPARED STATEMENT OF HON. MARGE ROUKEMA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

AT THE OUTSET, I WOULD LIKE TO THANK CHAIRMAN LELAND FOR SCHEDULING THIS EXTREMELY IMPORTANT HEARING. THE CHAIRMAN WAS VERY RECEPTIVE TO MY REQUEST FOR THIS HEARING AND I APPRECIATE HIS ATTENTIVENESS. I TRUST THIS HEARING WILL BE A SIGNIFICANT FIRST STEP IN ADDRESSING THE INTRACTABLE PROBLEMS POSED BY POVERTY AND THE WELFARE SYSTEM IN THE U.S.

I AM PLEASED TO WELCOME OUR WITNESSES HERE THIS MORNING FOR THIS DISCUSSION ABOUT THE CENTRAL ISSUES OF HUNGER AND POVERTY IN THIS COUNTRY AND EXTEND PROFOUND APPRECIATION FOR OUR IMPOSITION ON THEIR TIME AND THEIR GENEROUS ACCEPTANCE.

MY INTEREST AND CONCERN ABOUT THE PROBLEMS OF POVERTY, ESPECIALLY AMONG FEMALE-HEADED HOUSEHOLDS, PRE-DATE MY WORK ON THIS PARTICULAR COMMITTEE. IN THE EARLY PART OF THIS DECADE, THE EFFECTS OF THE TRAGIC EROSION OF OUR NATIONAL CHILD SUPPORT SYSTEM WAS DRAMATIZED BY A CHILLING INCREASE IN THE CHILD SUPPORT CASELOAD IN MY OWN NEW JERSEY CONGRESSIONAL DISTRICT.

FURTHER INVESTIGATION PRODUCED FRIGHTENING STATISTICS. IN

1980, THERE WERE 8.5 MILLION SINGLE-PARENT HOUSEHOLDS, REPRESENTING 21 PERCENT OF ALL FAMILIES NATIONWIDE. OF THESE, 90 PERCENT WERE HEADED BY WOMEN. OF ALL THE WOMEN IN POSSESSION OF LEGAL CHILD SUPPORT ORDERS, ONLY 39 PERCENT RECEIVED ANY MONEY. TWO-THIRDS OF THESE FAMILIES ARE DEPENDENT ON THE AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM. CLEARLY, WHERE THERE IS NO COLLECTION OF CHILD SUPPORT, CHILDREN AND FAMILIES OFTEN FALL INTO POVERTY.

SEVERAL OF US IN THE HOUSE INTRODUCED LEGISLATION TO ADDRESS THIS DISTURBING TREND AND WE SUCCESSFULLY PASSED THE "CHILD SUPPORT ENFORCEMENT AMENDMENTS" WHICH WENT INTO EFFECT OCTOBER, 1985. AMONG ITS MAJOR REFORMS, THE BILL PROVIDES FOR THE WITHHOLDING OF WAGES FROM DELINQUENT FATHERS AND APPLIES ITS PROVISIONS TO ALL FAMILIES; NOT JUST THOSE RECEIVING AFDC. THIS IS JUST ONE EFFORT TO COMBAT THE PROBLEM OF POVERTY.

TRAGICALLY, HOWEVER, HUNGER AND POVERTY ARE NOT RECEDING. IN 1984, 14.4 PERCENT OF OUR POPULATION, 33.7 MILLION PEOPLE, LIVED BELOW THE POVERTY LINE, INCLUDING 21 PERCENT OF CHILDREN UNDER AGE 18.

THOSE STATISTICS BECOME EVEN MORE DISTURBING UPON RECOGNITION THAT, DURING 1984, FEDERAL, STATE AND LOCAL GOVERNMENTS SPENT $134 BILLION ON PROGRAMS FOR THE POOR.

IT IS NOT OUR PURPOSE TODAY TO CHALLENGE THE ACCURACY OF DATA OR DEBATE METHODOLOGY OF COLLECTING DATA, BUT TO UNDERSTAND THE UNDERLYING SOCIO-ECONOMIC TRENDS WHICH DRIVE THESE DATA. THESE TRENDS ARE DEEPENING AND INCLUDE THE DISINTEGRATION OF THE FAMILY, THE SHIFT FROM AN INDUSTRIAL ECONOMY TO A SERVICE ECONOMY AND THE DEINSTITUTIONALIZATION OF THE MENTALLY ILL.

MORE TROUBLING IS THE PHENOMENA OF UNEMPLOYMENT AMONG HEALTHY YOUNG MEN WHO EITHER WILL NOT SEEK A JOB OR ARE UNEMPLOYABLE. SOME ATTRIBUTE THE PROBLEM TO THE FAILURE OF EDUCATION, OTHERS VIEW IT AS THE CONSEQUENCE OF FAILED WELFARE POLICIES.

DEMOGRAPHICS ARE CONTRIBUTING TO POVERTY AND HUNGER. FOR EXAMPLE, FEMALE-HEADED HOUSEHOLDS ARE MUCH MORE LIKELY TO LIVE BELOW THE POVERTY LINE THAN ARE MALE-HEADED HOUSEHOLDS. A 1982 CENSUS BUREAU STUDY EVALUATED THE EFFECTS OF CHANGES IN FAMILY COMPOSITION ON INCOME LEVELS FOR BLACK AND WHITE FAMILIES. THE DECLINE IN THE PROPORTION OF TRADITIONAL HUSBAND-WIFE FAMILIES AND THE INCREASE IN WIFE-ONLY FAMILIES PROFOUNDLY AFFECTED FAMILY INCOME LEVELS. THE INCREASE IN TEENAGE PREGNANCY AND DIVORCE RATES HAS MEASURABLY CONTRIBUTED TO THE GROWTH OF THESE HOUSEHOLDS.

ECONOMIC RECESSION AND HIGH UNEMPLOYMENT ARE ALSO CONTRIBUTING FACTORS, AS ARE THE SERIOUS DISLOCATIONS IN OUR SOCIETY AS IT RETREATS FROM INDUSTRIALIZATION. MANY PEOPLE ARE FINDING IT DIFFICULT TO JOIN THE TRANSITION FROM AN INDUSTRIAL-BASED TO A SERVICE-ORIENTED AND HIGH TECHNOLOGY SOCIETY. THE SITUATION IS ESPECIALLY ACUTE IN CERTAIN REGIONS OF THE NATION, CHARACTERIZED BY "ONE-PRODUCT ECONOMIES," BE IT COAL, STEEL, WOOD, TEXTILES, OR APPAREL, WITH "BOOM AND BUST" CYCLES.

THE COMBINED IMPACT OF THIS ECONOMIC HISTORY AND OVERALL ECONOMIC DISLOCATIONS IN OUR COUNTRY HAVE HAD A MAGNIFIED EFFECT ON THESE REGIONS, SUCH AS APPALACHIA. STRUCTURAL UNEMPLOYMENT IS HIGH IN THESE AREAS AND THERE IS LITTLE HOPE FOR THE PEOPLE WHO LIVE THERE WITHOUT SIGNIFICANT RETRAINING AND RELOCATION OF INDUSTRY.

NATIONWIDE, ESPECIALLY IN THE URBAN AREAS, THE HOMELESS ARE THE MOST VISIBLE OF OUR POOR. CLEARLY, COMMUNITIES WERE ILL-PREPARED FOR THE MOVEMENT TOWARD DEINSTITUTIONALIZATION OF THE MENTALLY ILL IN THE 1960S AND 1970S, A MAJOR FACTOR IN THE GROWTH OF THE HOMELESS. IN ADDITION, DRUGS AND ALCOHOL HAVE HAD A DEBILITATING EFFECT ON THE POOR AND THE HOMELESS. UNTIL WE COME TO GRIPS WITH THE FAILED DEINSTITUTIONALIZATION POLICY OF THE PAST TWO DECADES AND THE PROBLEM OF SUBSTANCE ABUSE, THE HOMELESS POPULATION WILL CONTINUE TO SUFFER, IF NOT GROW.

CLEARLY, THOSE LIVING IN POVERTY ARE NOT A HOMOGENEOUS GROUP. THEY ARE INDIVIDUALS WITH VARIED NEEDS AND STRENGTHS. THEY ARE RECENTLY-DIVORCED MOTHERS, TEENAGE PARENTS, UNEMPLOYED MEN, ELDERLY WIDOWS, THE UNDEREMPLOYED, THE MENTALLY ILL, HOMELESS AND CHILDREN. WITH SUCH DIVERSITY, CLEARLY THERE IS NO SINGLE CAUSE JUST AS THERE IS NO SINGLE CURE.

THE TIME HAS COME FOR A COMPREHENSIVE POVERTY DEBATE, TO WHICH I HOPE AND EXPECT THIS HEARING WILL MAKE A MAJOR CONTRIBUTION.

AN UNDERSTANDING OF THE RELATED TRENDS MAY ASSIST US IN DETERMINING A COURSE OF ACTION. ALL THE SOLUTIONS TO THE PROBLEMS OF POVERTY CANNOT AND WILL NOT COME FROM THE FEDERAL GOVERNMENT. HOWEVER, THE FEDERAL GOVERNMENT HAS A ROLE TO PLAY IN ENSURING THAT INDIVIDUALS IN OUR SOCIETY HAVE A REASONABLE OPPORTUNITY TO ATTAIN AND MAINTAIN A DECENT STANDARD OF LIVING. BUT, THE REAL RESPONSIBILITY RESTS WITH FAMILIES AND THE COMMUNITY. AND, AS WE ARE SEEING TODAY AT THE STATE AND LOCAL LEVEL, THERE IS SUBSTANTIAL IMAGINATIVE EXPERIMENTATION WHICH MAY PRODUCE TANGIBLE RESULTS.

WHERE DO WE GO FROM HERE? I HOPE OUR WITNESSES WILL BE ABLE TO HELP US ANSWER THAT QUESTION. BUT, I CAN TELL YOU THE STARTING POINT FOR THIS MEMBER OF CONGRESS. MY JOURNEY BEGINS WITH TWO REALIZATIONS: 1) THIS NATION IS STRAINING UNDER THE WEIGHT OF A $200 BILLION FEDERAL DEFICIT WHICH IS THREATENING OUR ENTIRE ECONOMY, AND 2) OUR CURRENT MAZE OF ANTI-POVERTY PROGRAMS HAS NOT WORKED. A RADICAL REFORMATION IS IN ORDER.

YOU KNOW, "WORKFARE" USED TO BE A DIRTY WORD. HOWEVER, NOW THERE IS GENERAL AGREEMENT BY BOTH LIBERALS AND CONSERVATIVES THAT WORKFARE IS A USEFUL TOOL FOR BOTH THE INDIVIDUAL AND THE STATE...THE STATE AND THE TAXPAYERS.

I AM ENCOURAGED TO LEARN THAT THE SWEEPING STUDY OF OUR

NATIONAL WELFARE SYSTEM PRESIDENT REAGAN ANNOUNCED IN HIS LAST STATE OF THE UNION ADDRESS IS MOVING AHEAD. I RESPECTFULLY REQUEST OF THE CHAIRMAN THAT IN THE NEXT FEW WEEKS WE INVITE THE ADMINISTRATION TO APPEAR BEFORE THIS PANEL FOR A FULL REPORT ON THEIR PROGRESS.

BASED ON MY STARTING POINT, MY CENTRAL CONVICTION IS THAT THE FAMILY IS KEY. HOWEVER WE RECONSTRUCT THE WELFARE SYSTEM, WE MUST DEVISE PROGRAMS THAT STRENGTHEN AND PRESERVE THE FAMILY. SEVERAL OF OUR WITNESSES HAVE WRITTEN ABOUT THIS AND I AM EAGER TO HAVE THEM AMPLIFY ON THIS TODAY.

WE HAVE BEFORE US TODAY AN OUTSTANDING ARRAY OF WITNESSES. I AM PLEASED TO BE A PART OF THIS HEARING TODAY, AND WANT TO THANK THE WITNESSES FOR LENDING US THEIR TIME.

I THANK THE CHAIRMAN.

PREPARED STATEMENT OF HON. BILL EMERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Thank you Mr. Chairman. I am pleased to be here and to participate in this hearing. I particularly want to thank Congresswoman Roukema for her work in arranging this hearing. I know this issue is of great importance to her.

Today the Select Committee will hear from several distinguished witnesses on the issue of the causes of poverty and hunger and the effectiveness of the existing programs aimed at helping low income individuals and families. I look forward to hearing from these witnesses and it is my hope the debate on poverty will focus on real ways to help.

I would like to mention two issues that are closely tied to our hearing today. First is employment and training programs. Improving the ability of able bodied persons to get and keep jobs - and therefore to become taxpayers - is an integral part of the debate on poverty. There are several programs available through the existing welfare system and through the Job Training Partnership Act. One such program is the one I authored - along with Congressman Panetta - and which is a part of the 1985 Farm Bill.

The purpose of the employment and training program in the Farm Bill is to help certain food stamp participants move into regular employment by providing training and experience and improving the employability of the participants. It also allows states to coordinate employment and training activities under both the food stamp program and the AFDC program. The program itself may encompass job search; training and support programs; training in employment techniques; and, job placement. A state may design its program based on its AFDC Community Work Experience Program, workfare or may devise a program in which food participants are given work assignments.

The second issue is one concerning coordination and simplification of the existing welfare programs. The Select Committee on Hunger has initiated a comprehensive review of this issue. It is my belief that for both participants and administrators alike the hurdles they must scale in order to administer and take part in welfare programs are innumerable. It makes little sense to me that a family in need must travel from agency to agency to obtain the basic necessities. Nor does it make sense that one agency - a county welfare department - must apply different rules to the same set of circumstances to administer the AFDC and food stamp programs.

The duplication in administrative structures is immense. Programs for the poor include AFDC, food stamps, supplemental security income, low-income energy assistance, housing assistance, child nutrition programs, Medicaid and training and employment programs. There are at least four federal agencies, and more committees of the Congress, involved in just the programs I have mentioned - Agriculture, Health and Human

Services, Labor and HUD. These are matched and sometimes exceeded at the state and local levels. I have to believe that there must be a better way.

I do not have all the answers; however, I am convinced that there is a severe problem. Over the past four years Chairman Panetta and I have travelled across the county holding field hearings. We have been to welfare offices, health departments, hospitals, soup kitchens, churches - many sites serving poor people. The need is there for the aid and the services and I truly believe it is a credit to the ingenuity and resourcefulness of those running the programs and those participating in them that the services are delivered.

By addressing both of these issues I have attempted to improve the system we now have to deliver benefits and services to needy individuals and families. Perhaps there is a better way. I look forward to hearing from our witnesses as to what they believe is the better way. I thank you Mr. Chairman.

PREPARED STATEMENT OF PETER GOTTSCHALK, PROFESSOR OF ECONOMICS, BOWDOIN COLLEGE, RESEARCH AFFILIATE, INSTITUTE FOR RESEARCH ON POVERTY, UNIVERSITY OF WISCONSIN, MADISON AND SHELDON DANZIGER, PROFESSOR OF SOCIAL WORK AND DIRECTOR, INSTITUTE FOR RESEARCH ON POVERTY

We thank you for inviting us to testify before the Select Committee on Hunger on the problems of the poor and the implications for public policy. Because of the national attention, and this committee's interest, on the problems of what has become known as the "underclass," we give special attention to this group. We try to quantify the current size of the underclass and determine whether this group has grown relative to the overall poverty population. With this factual information as background, we suggest policy alternatives which reflect the different circumstances of the underclass and the rest of the poverty population, which we call the mainstream poor. We argue that a comprehensive antipoverty strategy requires separate approaches for solving the problems of these two groups. It is imperative that any welfare reform not ignore the relatively solvable problems of the majority of the poor while trying to deal with the much more difficult problems of the underclass.

I. Size of the Poverty Population and Underclass in 1984

Poverty Population -- In 1984 14.4 percent, or 33.7 million persons, were poor. Table 1 provides a standard demographic breakdown of the poverty population. As is well known, the typical poor household is neither female headed nor non-white -- there are more poor persons living in households with a white male head than any other demographic group. Nevertheless, females and blacks have much higher probabilities of being poor than do males and whites.

Less well-known is the the fact that over 50 percent of the heads of poor households are not expected to work (defined as a head over 65 years of age, or one who is disabled, a full-time student, or a woman with a child under six). Of the half who are expected to work, roughly equal numbers do not work, work full year, and work part year.

These figures demonstrate that anti-poverty strategies must look

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beyond the 15 percent of poor household heads who are expected to work but do not work. An equally large group is already working full year and a much larger group is not even expected to work.

Underclass -- While the economic and demographic composition of the poor is quantifiable using published data, it is much more difficult to measure the underclass. No standard definition exists and, when definitions are offered, they are usually not amenable to measurement with published data. A member of the underclass is generally perceived as a person who has been poor for a long period, possibly across generations, and is reliant on welfare or illicit activity as a principle source of income. The underclass is often portrayed as living in urban areas, especially in the black ghetto, where a culture is thought to develop which perpetuates poverty. In turn poverty is thought to reinforce the culture. Thus, the underclass is sometimes defined not only by behavior but also by the cause of this behavior. At this level, it is hopeless to try to measure the size of the underclass with existing surveys.[1]

The best current research can do is to measure the underclass in terms of observable characterisitcs, whatever their causes. As we will show, even this is not an easy task. Our first method focuses on two demographic groups: long term AFDC recipients and the homeless.

According to the Social Security Administration there were 10.8 million AFDC recipients in Decembeer 1984. All of these were, however, not part of the underclass. At a minimum one should exclud 45 percent of the caseload, since these recipients will be on the program only long enough to raise one child from birth to school age (6 years). Thus, 5 million is the maximum number of AFDC recipients who we would consider part of the underclass. Among the 2 million adults in these households, some already work and others would accept work if suitable day care could be found.

To the 5 million one would want to add any absent fathers of long term AFDC recipients. A rough guess is that this would add no more than another 1 to 3 million persons. Thus, long term welfare recipients and their absent fathers number in the range of 6 to 8 million, compared to 33.7 million poor people -- at most there is one long term welfare recipient for every four people in poverty.

The homeless comprise another part of the underclass. While estimates of the number of homeless vary widely, a commonly used range is between .3 and 2.0 million persons. Since many of these people are not covered in Census data, they are excluded from the official poverty counts. If they were to be included, poverty would rise to a maximum of 35.7 million (of which 5.7 percent would be homeless). Thus, even if the homeless and all long term welfare recipients and their fathers were were counted as part of the underclass, the mainstream poor would still outnumber the underclass by over three to one.

An alternative to using demographic characteristics of individuals to define the underclass is to focus on the number of people living in urban areas with high concentrations of poor people. The implicit (and controversial) assumption behind this definition is that the underclass is supported by a culture which is only found in poor urban areas. This methodology, borrowed from David Ellwood, again shows that the underclass makes up a relatively small proportion of the poverty population.

Using the 1980 Census of Population, an urban poverty area can be defined as a census tract with a poverty rate of 40 percent or more in 1979 in one of the 100 largest cities. As an upper bound we assume that all persons, whether poor or not, living in these urban poverty areas are part of the underclass. This is clearly an upper bound since at least some of the residents in these broadly defined areas will not have absorbed a culture which encourages further poverty. Table 2 shows that by this definition, the underclass is only 3.7 million. If the definition is further restricted to poor persons in poverty areas, then the underclass is only 1.8 million. In as much as the underclass is often associated with black poverty, Row 2 of Table 2 shows that 1.3 million poor blacks live in urban poverty areas. This is less than 4 percent of the poverty population.

Since much of the discussion of the underclass focuses both on long term welfare recipiency and a lifestyle associated with urban poverty areas, we calculate the number meeting both these criteria. Our estimate is that there are considerably less than 1 million long term AFDC recipients living in poverty these areas.[2] Thus, if this narrow view of the underclass is taken, the underclass makes up only three percent of the poverty population.

In summary, while the problems of the underclass are undoubtedly much more difficult to solve and may require substantially different approaches than those of the mainstream poor, the latter group is much larger. Any reform of the tax or welfare system cannot ignore the latter group.

II. Changes in Size of Poverty and the Underclass over Time

Implicit in much of the current debate is the assumption that the underclass is not only large but also growing. In this section we present the official figures on the growth in poverty and much cruder measures of the changes in the size of the underclass over time. Figure 1 plots the official poverty rates since 1959. This series can be broken down into three major periods. Poverty rates declined sharply through 1973, were basically constant between 1973 and 1979 and then rose dramatically through 1983. Whether the decline in 1984 and the projected decline in 1985 (which we will discuss later) marks a new trend is open to speculation. However, even with the large decline in poverty in 1984, the current rate of 14.4 percent is still well above the 11 to 12 percent level achieved in the late 1970s. When inkind transfers are also counted as income when measuring poverty, rates increase at an even faster rate (from 9.2 percent in 1979 to 12.4 percent in 1984). Thus, there is clear evidence that the overall poverty population has grown since the late 1970s.

We now narrow our focus on the underclass. Since the 1969 Census of population defined poverty areas only in the 50 largest cities, Table 3 shows the total number of residents and the number of residents in poor areas in these 50 cities in 1969 and 1979. Columns 3 and 6 show that the growth rate in the number of persons living in poverty areas was considerably higher than the growth rate in either the total number of persons or the number of poor persons. This indicates that the underclass does seem to have grown proportionately faster than the rest of the population.

Growth in the relative size of the underclass might be expected if poverty rates had declined, since the underclass would make up a larger proportion of the poor as the incomes of mainstream poor increased. However, between 1969 and 1979 poverty rates these 50 urban areas increased from 15.1 to 17.7 percent.

We conclude that while the underclass continues to be small compared to the overall poverty population, its growth is a cause for concern.

III. Policy Prescriptions

Our suggestions for policy changes are based on the factual material presented in the preceeding sections. We believe that the growth in the size of the underclass calls for reconsideration of some aspects of income support policies. We, however, caution that the mainstream poor make up a substantial majority of the low income population and that their needs should not be ignored in a rush to solve the much more difficult problems of the underclass.

Growth -- One possible approach to antipoverty policy is to redesign welfare programs to address only the problems of the underclass while allowing the mainstream poor to be lifted out of poverty by economic growth. We believe that there is ample evidence that this strategy will not work. Official projections of GNP growth and the unemployment rate indicate that growth will be insufficient to do more than make very modest progress against poverty. We project that poverty rates will drop from 14.4 percent in 1984 to 14.1 percent in 1985, a drop of about .8 million people. This is a very modest decline compared to the drop from 15.3 percent to 14.4 percent between 1983 and 1984. Using the February 1986 CBO economic assumptions and the President's proposed budget, we predict only modest further reductions in poverty in 1986.

Since we do not believe that the economy will grow fast enough to rapidly reduce poverty we advocate several programmatic changes. Our proposals focus on reform of the federal personal income tax and the Aid to Families with Dependent Children Program (AFDC). The unifying theme of our reforms is that the tax and transfer systems should reward and protect those not expected to work. All available evidence shows that taxpayers and the vast majority of welfare recipients believe that fairness requires the able bodied without young children to work in exchange for income.

Tax Reform -- The tax reform currently being reconciled between the House and the Senate will go a long way toward reducing income taxes on the working poor. However, they do not reduce their tax burdens to the levels of the mid-1970's.

Three changes in current reform proposals would aid the poor at relatively low cost to the Treasury. First, the Earned Income Tax Credit (EITC), a refundable credit currently received by about 6 million families with children, should be increased. Both Committee proposals do so, but they do not restore its real value to the level of the late 1970s. This would require increasing the maximum credit in 1986 dollars from $550 to about $800 and rasing the income ceiling from $11,000 to $16,000. Also, the credit should be extended to childless poor and near-poor couples who are now ineligible.

Second, the child care tax credit, which partially offsets child care costs for working single parents and couples in which both spouses work, should be made refundable. Currently, few of the poor benefit from this credit because it is not refundable. If it were, a single parent of one child who earned $7,500 in 1985 and paid $2,000 per year for day care would benefit by about $250.

Third, the personal exemption should be converted into a refundable credit for those who do not itemize deductions. For example, the $2,000 exemption and the first bracket tax rate of 15 percent reduce a family's tax bill by $300 only if its taxable income before the exemption is $2,000. If a poor family could choose a credit of $300 instead of the exemption, many of those whose incomes are so low that they would not benefit fully from the increase in the exemption would receive credits. Since the credits would be counted as income in the computation of welfare benefits, such a change would also reduce the welfare rolls.

If all three reforms were implemented, the poor would not only be relieved of their personal income tax liability, but would also receive credits offsetting some of their social security taxes. These reforms would not threaten any of the efficiency goals of tax reform -- the broadening of the tax base and the lowering of marginal rates. They would have smaller work and family discentive effects than would any alternative plan to aid the working poor through welfare.

Welfare Reform - Welfare should likewise be reformed in such a way as to reward work and discourage dependency for the able bodied. At the same time AFDC should offer necessary income assistance to those in temporary need -- concern with the underclass should not obscure the fact that the vast majority of persons who every receive any welfare, receive assistance for less than two years.

We offer a general guide, not a blueprint, for the direction in which we think welfare policies should move. Implementation of changes which we, and others, advocate involve many difficult decisions which we cannot address today: Should a long term recipient with a young child be required to work? Should states or the federal government pay for jobs offered to long term recipients? What should be done to protect the rights of children if the parent refuses work?

We propose modest changes in the AFDC program for short term recipients and more far reaching changes for longer term recipients. Our reforms is to offer options between cash grants, training and work for short term recipients who are largely part of the mainstream poor. Longer term recipients unable to work would be covered by a suitably modified Supplemental Security Income (SSI) for the disabled while those who can work would be offered jobs.

For recipients who have received assistance for less than six years (the time to raise one child to school age) we advocate a program similar to the Massachusetts Employment and Training Choices program (ET). Such a program would allow participants to gain marketable skills and work experience while also continuing to receive grants. Making the jobs program voluntary limits the number of jobs which have to be located or created, and allows caseworkers to focus on the recipients' self perceived needs. Since the majority of people entering welfare currently stay on the program for a few years we see little argument for not trusting a recipient's judgement about which program is most effective for her, at least during the first six years.

There are two major differences between our approach and ET. First, we advocate a program which also allows non-recipients to obtain training or take jobs when slots are available. This would reduce any incentives to enter welfare in order to gain the training or work benefits from the program. Second, since a program which encourages work should not then limit work opportunities, we would not place a maximum on the number of hours a participant was allowed to work. Since we believe most recipients want to work, we expect that these two modifications would be expensive. However, if we are to take the emphasis on work seriously, we must be willing to pay the costs of such an approach.

For longer term recipients we advocate disability payments for those who meet the criteria applied to current SSI recipients and a program which requires work in exchange for assistance for the able bodied. The program would provide job slots either in the public or private sector. Our preference would be for jobs in the private sector, but if an insufficient number of such jobs were found then employment at the minimum wage would be offered in the public sector. Again participants would be allowed to work full time -- they would not be limited to working only long enough to pay off their grants, as is currently the case in the workfare demonstration projects. Programs would have to be reformed and coordinated to insure that earnings for those working 1,500 hours, plus Food Stamps, housing subsidies, and tax credits would yield a poverty line level of income for a family of four.

In summary, we believe that public policy must move in two different directions. First, for the vast majority of the poor who are not in the underclass, programs should be modified and, in some cases, expanded. For those able to work, this involves tax reforms and expanded work and training opportunities. Cash grants for this group should be available for only limited duration. For those unable to work, an expanded SSI program should offer a decent income floor. Second, there should be a separate program for those who have not managed to leave welfare on their own after six years. This program should offer employment opportunities but not direct cash payments for those able to work.

Footnotes

[1] William Julius Wilson is undertaking an ambitious project to gather new data to measure the underclass in Chicago.

[2] In 1979 there were 3.56 million AFDC families and .34 million families with public assistance income living in poverty areas. Applying this ratio (.34/3.56) to the 10.7 million people receiving AFDC in 1984 yields 1.03 million receipients in urban poverty areas, some of whom are not long term recipients.

Table 1

Characteristics of Poor Persons and Heads of Poor Households in 1984

	Number (thousands)	Poverty Rate
Persons by Sex and Race of Head		
Male Head		
White	13,385	8.2
Black	3,029	19.1
Other	846	13.0
Female Head		
White	9,570	27.3
Black	6,462	52.9
Other	408	37.7
Total Persons	33,700	14.4

	Number (thousands)	Percent of Poor
Work Experience of Head		
Not Expected to Work	7.5	53.0
Expected to Work		
Worked 0 Weeks	2.1	15.1
Worked 1-48 Weeks	2.4	16.8
Worked 49-52 Weeks	2.1	15.1

Table 2

Number of Persons Living in Poverty Areas in 100 Largest Cities in 1979[1]

(millions of persons)

	Total	Poor
All Races	3.67	1.83
Blacks	2.48	1.27

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[1] Poverty areas are defined as census tracks with poverty rates above 40 percent in 100 largest SMSAS.

Source: 1980 Census of Population Subject Report, Poverty Areas in Large Cities: Table 1.

Table 3

Number of Persons Living in 50 Largest Cities

by Poverty Residence -- 1969 and 1979[1]

(millions of persons)

	All Residents			Residents of Poor Areas		
	1969	1979	Percent Change	1969	1979	Percent Change
Total						
All Races	39.83	37.83	-5.1	1.92	3.22	+67.7
Blacks	9.87	10.59	+7.3	1.41	2.18	+54.6
(Percent Black)	(24.7)	(28.0)	-	(36.2)	(47.7)	-
Poor						
All Races	6.00	6.71	+11.8	.92	1.61	+75.0
Blacks	2.69	3.14	+16.7	.71	1.12	+57.7
(Percent Black)	(44.8)	(46.7)	-	(29.5)	(43.8)	-

[1] Poverty areas are defined as Census Tracks with poverty rates above 40 percent in the largest 50 SMSA's in 1969.

Source: Computations from matching the 50 SMSA's in 1970 Census of Popluation subject Reports, Low Income Areas in Large Cities: Table 1 with the same SMSA's in 1980 Census of Population Subject Reports, Poverty Areas in Large Cities: Table 1.

[Excerpt From The Public Interest]

Is welfare really the problem?

DAVID T. ELLWOOD & LAWRENCE H. SUMMERS

THE POVERTY ISSUE is gridlocked. No one is satisfied with current policy, but no alternative can generate much support. The sources of dissatisfaction are well-illustrated in two recent tracts on the poverty problem: Charles Murray's *Losing Ground* and Michael Harrington's *The New American Poverty*. Murray notes that poverty has increased in the last fifteen years while federal social spending has ballooned. He argues for a poverty Laffer curve: Attempts to reduce poverty actually have made things worse. Harrington sees the problem of rising poverty as one caused by government inaction rather than action. He asserts that the War on Poverty was never really declared and argues that without a massive effort, there is no real chance of combatting poverty.

We have reviewed the existing policies and our national record in reducing poverty. Despite the haphazard evolution of these policies and their seeming lack of coherence, they function reasonably well. Our conclusion is that, given the resources devoted to fighting poverty, the policies have done as well as we could have hoped. There is logic to the broad outlines of the current "safety net." Categorical programs have provided financial support to the needy and

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A version of this article will appear in Fighting Poverty: What Works and What Doesn't, *Sheldon Danziger and Daniel Weinberg, eds. (Cambridge: Harvard University Press, forthcoming).*

probably have not caused an appreciable share of the current problems. It is true that current transfer policies do relatively little to help the poor achieve self-sufficiency or to ameliorate some of the serious social problems attending poverty, but a review of the record does not support the view they have caused them.

Measuring poverty

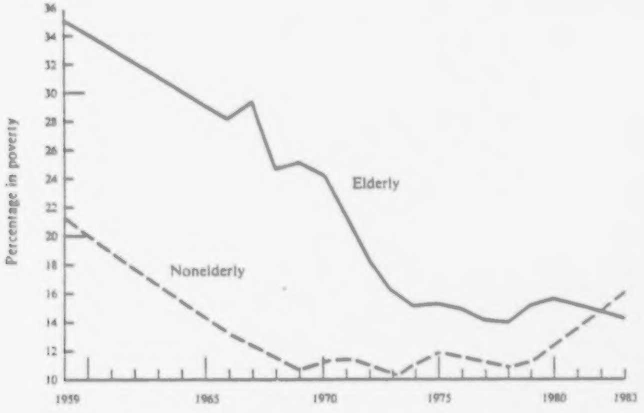
Any discussion of trends in poverty must rely on some measure of the incidence of poverty. And any single poverty measure is bound to be misleading. We concentrate here on trends in the officially defined poverty rate: that fraction of the population living in families with incomes below the poverty line. It is important to understand that the poverty line is a fixed level of real income (which varies by family size) thought to be sufficient to provide a minimally adequate standard of living. It is adjusted each year only for changes in the cost of living. Changes in the poverty rate thus provide an indicator of society's success in alleviating hardship among those with relatively low incomes, and do not necessarily indicate changes in income inequality, which is quite another issue. It is also important to recognize that only cash payments are treated as part of family income in the official poverty measure. In-kind benefits such as medical care, food stamps, or housing assistance are not counted at all.

Figure I depicts the trends since 1959 in the poverty rate, defined as the percentage of all persons living in families with cash income below the poverty line. We have broken down the figures for the elderly and nonelderly separately. For those over sixty-five, there was dramatic and relatively continual progress up to 1974, some modest progress through 1978, and a relatively flat poverty level since that time. For the nonelderly there was a dramatic decline in the poverty rate between 1959 and 1969. Then progress halted. The rate moved up and down throughout the 1970s, finally turning up rather sharply in the 1980s. It is the dramatic halt to progress in reducing the poverty rate for the nonelderly which seemed to coincide with the onset of the Great Society programs that has sparked the current dissatisfaction with our antipoverty efforts. Throughout this article we focus primarily on the nonelderly, since there appears to be less concern that our efforts at helping senior citizens were ineffectual or counterproductive.

Poverty and economic change

How much of the poverty rate can be explained by general economic developments? Figure II plots the nonelderly poverty rate

Figure I. Official Poverty Rates for the Elderly and Nonelderly[a]



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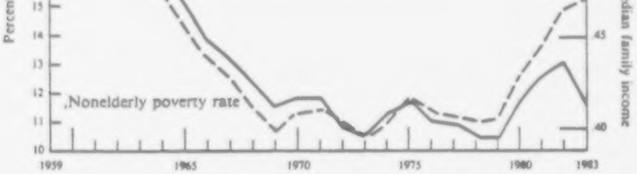
[a] *Source:* Official poverty statistics published annually by the U.S. Bureau of the Census (Current Population Reports, ser. P-60).

Figure II. Relationship of Official Poverty Rate among Nonelderly Persons to Poverty Line as a Fraction of Median Family Income, 1959-1983[a]



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[a] *Source:* Poverty rate data from U.S. Bureau of the Census (Current Population Reports, ser. P-60); median family income data from U.S. House of Representatives Subcommittee on Oversight and Subcommittee on Public Assistance and Unemployment Compensation, *Background material on poverty* (1983, p. 64).

along with the poverty threshold expressed as a fraction of median income. It is apparent that the curves dovetail almost perfectly. *Almost all of the variation in the poverty rate is tracked by movements in median family income. The poverty rate, and the poverty line as a fraction of total family income, move almost completely together.*

One does see a slight divergence of the trends in the 1980s. But here, it should be noted, the poverty rate is basically tracking the performance of the economy. In real terms, median family income in 1980 was no higher than it was in 1969. In the recession of 1982, it actually fell 5 percent below the 1969 level. Average families today have no more real income than they did almost fifteen years ago. It should not come as a great surprise, then, that poor families were not much better off either. And it seems reasonable to blame the same factors for the stagnation in the fortunes of both the poor and the nonpoor.

The reasons for the lack of growth in median family income are not entirely clear. Real per capita disposable income did rise by 27.5 percent. Some of the explanations must therefore lie in demographic changes which were affecting both the poor and the nonpoor. There has been since the 1960s a large increase in the number of female-headed families, and average family size declined from 3.6 to 3.3. The share of income going to single individuals also increased substantially. But demographics alone cannot be the entire story. Median income of full-year, full-time male workers also declined between 1970 and 1980. Much of the blame must be placed on the productivity slowdown, which reduced the annual rate of growth of productivity to 0.8 percent in the 1970s after nearly two and a half decades of growth at almost 3 percent per year. Disposable income increased because more people were working, not because wages increased. Whatever the reasons for the decline, it would be absurd to blame changes in median family income on social welfare program mistakes. Making the poor better or worse off should not affect median income because the middle family in the income distribution would not be directly affected.

A brief consideration of the relevant magnitudes makes it clear why movements in average family incomes should be a dominant determinant of the fortunes of the poor. The bottom fifth of all families gets about 6 percent of total personal income. This figure has been remarkably stable for most of the past twenty years. At present, therefore, a 10 percent increase in disposable personal income would raise the amount of income flowing to the poor by $13 billion. A 25 percent increase, such as that achieved between 1961 and 1966, would increase the income of the bottom fifth by more than the total cost of all means-tested cash assistance programs plus Food Stamps.

There is an alternative way of seeing that the performance of the economy will be a dominant determinant of the economic condition of the poor. A majority of the nonelderly poor are in male-headed families. For this group, at least 75 percent of income results from earnings. Even among poor, female-headed families with children, fully 40 percent of all income comes from working. The fraction is much greater for families near the poverty line—the ones who will be drawn into or out of poverty as the economy swings.

Still, it is troubling to find that poverty rates have tracked median family income so closely. Expenditures on social welfare programs increased many times during the late 1960s and early 1970s. Shouldn't we have expected some improvement in poverty, if for no other reason than that transfers from the government should have pushed more people across the poverty line? This lack of progress seems to have fueled the current perception that the antipoverty programs were a failure. Charles Murray even argues that the growth in government programs induced the poor to stop relying on private sources of income and start relying on public sources, reducing their hopes for self-sufficiency. Let us examine this argument.

It is customary to break social welfare expenditures into three categories: social insurance; cash assistance; and in-kind benefits. The social insurance system is clearly geared to the middle class, designed to protect those who retire or who suffer some calamity such as total disability, unemployment, or work injury and therefore are unable to earn money. Medicare, which covers much of the medical care needs of the aged and totally disabled who receive Social Security, is usually classified as a social insurance program even though it provides in-kind benefits. Most workers are covered by these programs so long as they have worked a reasonable period. Far from being income-tested, these programs tend to give higher benefits to those who had higher earnings before retirement, disability, or unemployment. Thus the programs do protect some families from poverty, but they really are designed to protect middle-class incomes.

Benefits for the poor

Cash assistance is offered to certain low-income groups. In most areas, only three groups really qualify for significant cash assistance: the aged; the totally disabled; and persons in single-parent families. Supplemental Security Income (SSI) covers the first two groups while Aid to Families with Dependent Children (AFDC) covers the third. There is some assistance available for others. Most states offer a very modest General Assistance (GA) program, often for people who are partially disabled. Some states also offer an AFDC-Unemployed Parent (AFDC-UP) program for two-parent families. In fact, there are stringent restrictions on eligibility for AFDC-UP, and the program is extremely small, less than 5 percent of the total AFDC program. The cash transfer programs are explicitly income-tested and benefits decline as income rises.

Finally, there are a variety of in-kind benefits available. Food Stamps provide modest benefits per person in the form of vouchers, but the benefits are available, on a scale which varies by income, to all poor persons (except students and strikers). Medicaid provides medical benefits to the poor, but only to those who are aged, permanently disabled, or are in single-parent families. There are housing assistance programs and a number of other modest in-kind benefits, like Low Income Home Energy Assistance.

Table 1 shows the magnitude and the growth of these various programs. Expenditures are divided by major beneficiary group: the elderly; the totally disabled; and all others. Certainly the most prominent fact on the table is that the bulk of all expenditures and the bulk of the dollar growth has been in programs for the elderly. We would certainly expect to see, as we have seen, a very dramatic reduction in poverty among this group even in the 1970s, when growth was rather flat.

By almost any standard, expenditures on cash assistance programs specifically targeted at the poor are small. Taken together, all the cash assistance programs for the nonelderly totalled less than $20 billion in 1982. That is a considerable increase over 1960, when benefits were under $5 billion (in 1980 dollars). But it still represents much less than 1 percent of GNP. Federal expenditures for these programs are less than 2 percent of the federal budget.

These expenditures are too small to have very much effect on measured poverty. Cash assistance pushes just 5 percent of poor persons out of poverty. Spreading the $20 billion spent on cash assistance across all the 30.6 million non-elderly poor yields an average cash benefit of slightly over $50 per person per month. Benefits are actually concentrated on those persons who are single parents or disabled. But for single parents, benefits average only $100 monthly per person; for the disabled, they average roughly $220. These

Table I. Costs of Major Public Assistance and Social Insurance Programs for the Elderly, Totally Disabled, and All Others
(Billions of Constant 1980 Dollars)[a]

	1960	*1970*	*1980*
PROGRAMS FOR THE ELDERLY			
Social Insurance			
Social Security, Old Age, and Survivor's	$29.2	$60.7	$104.7
Public Employee and Railroad Retirement	9.7	21.9	44.3
Medicare[b]	0	16.8	29.1
Cash Assistance			
Supplemental Security Income (and Old Age Assistance)	4.5	4.0	2.7
In-Kind Benefits			
Medicaid[b]	0	4.1	8.7
Food Stamps	0	0.2	0.5
Housing[c]	0.1	0.5	2.5
PROGRAMS FOR THE TOTALLY DISABLED			
Social Insurance			
Social Security Disability[d]	1.6	6.5	15.4
Medicare[e]	0	0	4.5
Cash Assistance			
Supplemental Security Income (and Aid to the Disabled)	0.7	2.1	5.0
In-Kind Benefits			
Medicaid[b]	0	2.2	7.0
PROGRAMS FOR OTHERS			
Social Insurance			
Unemployment Insurance	8.4	9.3	18.9
Workers' Compensation	3.6	6.5	13.6
Cash Assistance			
Aid to Families With Dependent Children (AFDC)	2.8	10.3	12.5
General Assistance (GA)	0.9	1.3	1.4
In-Kind Benefits			
Medicaid[b]	0	3.7	7.5
Food Stamps	0	1.1	8.6
Housing[c]	0.4	1.0	4.7

[a] *Sources: Social Security Bulletin, Annual Statistical Supplement 1982* (Washington: U.S. Government Printing Office), Tables 2, 18, 19, 154, 155, 160, 172, 192, 200. Also *Statistical Abstract 1984*, Tables 640, 643; and *Statistical Abstract 1978*, Table 549.

[b] Medicare and Medicaid began in 1966.

[c] Estimate based on fraction of persons receiving housing assistance who are elderly. (See Bureau of the Census, 1982.)

[d] Social Security Disability Insurance program began in 1956.

[e] Medicare was extended to the disabled in 1974.

amounts just are not sufficient to push very many persons out of poverty.

Perhaps even more important, over the period when poverty rates were stable, there were only modest changes in expenditures for these programs. Between 1970 and 1980, cash assistance expenditures rose from $13.7 billion to $18.9 billion. Yet over the entire decade, *annual* expenditures per nonelderly poor person rose just $93! Such an increase would hardly be noticed in the poverty statistics. And even that figure overstates the significance of the increase. Nearly all of the growth in these programs came in the disability program, which reaches only two million persons.

Programs which provide in-kind benefits, such as Food Stamps, housing assistance, or medical care, did grow considerably over the 1970s. But none of these gets counted as income for purposes of defining poverty, though they clearly reduce hardship.

The Food Stamp program comes closest to offering cash assistance, and benefits from the program should surely be counted as income in calculating poverty. Unlike almost every other major social program, Food Stamps are available to all poor families regardless of their characteristics. But average benefits are relatively low—less than $40 per month per person. Thus the program would not push very many people out of poverty even if its benefits were included as measured income. If Food Stamps were treated as income in 1982, the number of nonelderly poor would have fallen from 30.6 million to 29.1 million. Housing assistance is also available—in 1980, $4 billion was spent on the nonelderly. There are also a variety of child welfare, child nutrition, social services, and other programs. We do not have an exact total for these for the nonelderly, but it is probably between $5 and $10 billion.

Medical care falls into a special category. Persons who are in single-parent families or who are totally disabled and a few others can qualify for Medicaid. In 1980 the cost for single parents was $7.5 billion; for the disabled, $7 billion. It is less appropriate to think of medical care in the same way that cash assistance or food stamps are viewed. The poor never bought much health insurance prior to the start of the program in 1967 so provision for medical care was not really counted in determining the poverty level. Care was provided on a charity basis, in government-financed county hospitals, or it was simply not provided.

Because none of these in-kind benefits is counted in income, they cannot reduce statistically measured poverty. But there are indications that these programs have been at least partially successful in achieving their specific goals. Life expectancy in the U.S. rose more during the 1970s than during either the 1950s or 1960s. Perhaps more significantly, life expectancy rose more for nonwhites than whites: 4.2 years versus 2.7 years. Similarly, the nonwhite infant mortality rate declined almost twice as much in absolute terms as the white rate. And both caloric intake and protein consumption of the poor increased relative to the middle class. "Nutritional inequality" declined noticeably.

Benefits for the middle class

The really large growth in social benefits for the nonelderly came in the social insurance programs—the programs for the middle class. Unemployment Insurance (UI), Workers' Compensation (WC), Social Security Disability (DI), and Medicare for the disabled together cost $52 billion in 1980, up from $22 billion just a decade before.

These programs are not generally perceived by the public as being antipoverty programs, and rightly so. Their benefits go largely to the middle class. Only one-quarter of UI and WC funds go to persons who would otherwise be poor. Nonetheless, their significance in aiding the poor should not be understated. For those formerly poor persons lucky enough to receive UI or WC benefits, three-quarters are pushed out of poverty by them. Indeed, in some respects these programs probably do more to reduce poverty among the nonelderly than the cash assistance programs do. If UI and WC did not exist, at least 3 million more nonelderly people would be poor. (We have no comparable figures for the DI program.)

So it is not really surprising that measured poverty hardly improved during the 1970s. The single most important correlate with poverty—median family income—did not change. On government's side of the ledger, expenditures for cash assistance directed to the poor started small and did not increase very much. In-kind benefits increased dramatically, but they are not counted in income, so they could not improve measured poverty.

But whether or not government transfers were large enough to have a significant effect on poverty, concerns remain that government may actually be contributing to the poverty problem by discouraging work and encouraging single-parent family formation. We looked at three groups that figure prominently in any discussion of the disadvantaged in America. The first two are afforded the bulk of cash assistance—the disabled and those in single-parent families. For both of these groups, existing policies have been indicted as having important counterproductive influences. The third group, black youth, has at times been cited as an associated victim of the current welfare system. In all three cases, we considered whether or not transfer policies must bear significant responsibility for the problems faced by the groups.

The disability insurance (DI) portion of Social Security and Supplemental Security Income, which provides for those who are disabled and poor, grew enormously during the 1970s—both more than doubled during the decade. The combined cost of social insurance and cash assistance and in-kind benefits for the disabled was nearly $33 billion in 1980. Recently it has been charged that the program has reduced labor force participation of middle-aged men. The charge is serious, since the program is intended solely for those who cannot work.

The program's growth has indeed coincided with a significant decrease in labor force participation among men. In 1960, only about 4 percent of men aged forty-five to fifty-four were out of the labor force. By 1980, the figure had reached almost 9 percent. For black men the increases were even more dramatic: from 7 percent up to 16 percent. Motivated by these statistics, a need to cut budgets, and a host of anecdotes, the Reagan administration undertook a major tightening of eligibility rules under DI in the early 1980s, cutting several hundred thousand people and making eligibility more difficult to obtain. These policy developments coincided with increasing criticism within some academic circles of this antipoverty program for contributing to declining male labor force participation. The argument was that men who could work have been shifting to Disability Insurance. Thus Donald Parsons concluded in 1980 that the recent increase in nonparticipation in the labor force of prime-aged men can be largely explained by the increased generosity of social welfare transfers (though these findings have been disputed by other economists).

One approach to exploring the employability of those who received disability insurance is to look at the earnings patterns of those who applied but were denied. Certainly those who were denied assistance are on average considerably more employable than those granted benefits. Unfortunately, there are few data from recent years on the subsequent earnings of those denied disability benefits. However, the Social Security Administration (SSA) has examined the subsequent earnings experience of those denied benefits in 1967 and 1970. In assessing this evidence, it is important to recall that the fraction of disability applicants denied eligibility has risen steadily through time, from 49 percent in 1965 to 52 percent in 1975 to 66 percent in 1980. Thus rejections are even more common now than during that study period.

Yet in the late 1960s, virtually all of those who were rejected by the Disability Insurance program did little work in subsequent years. A SSA staff paper summarized the 1967 survey results by noting: "A large proportion of the denied applicants never returned to competitive employment despite many years of work prior to their disability and an administrative decision in 1967 that they were still able to do so." Further, "Four-fifths of these claimants who were initially denied in 1967 did not return to sustained competitive employment in the following five years."[1] Similar results were obtained in the 1970 survey.

Preliminary work by John Bound suggests that these basic conclusions hold in recent years even if one looks across the entire age distribution of persons under sixty applying for disability benefits. More than half do not return to sustained work. And those who do return to work suffer earnings losses of nearly 50 percent.

Since 1970 the DI program has doubled in size. Some of the increase is undoubtedly due to increased knowledge of the program and some may be due to increased benefit levels and some relaxation in standards. But even if the program now were taking people equivalent to the least-employable *four-fifths* of those rejected in 1970, it would still be taking a group which would have done no sustained work whether or not they had been accepted. And recall that in 1980, prior to the recently increased restrictions, 66 percent of applicants were denied entry to a program that is designed for the totally disabled. Those who apply are unlikely to be very healthy.

Disability programs appear to be one example where a carefully targeted program can give generous benefits without generating large adverse incentive effects. But the program succeeds largely because benefits are based on a relatively objective and difficult-to-alter set of physical conditions.

AFDC and single-parent families

The mounting number of children being raised in single-parent households is commanding increased national attention. The apparent "crisis of the family" is noted most acutely with respect to black households, but the trends seem to extend to all racial and economic groups. The numbers are stark. By the time today's children turn eighteen, some 45 percent of whites and 85 percent of blacks are expected to have lived for some part of their life in a single-parent household. At a minimum those who live in single-parent households face financial hardship; there may be other adverse consequences as well.

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[1] Ralph Tretel, "Appeal By Denied Disability Claimants," Social Security Administration staff paper No. 23 (Washington: U.S. Government Printing Office, 1976), pp. 22, 25.

Certainly the most troubling and potentially the most damning accusation leveled against the current welfare system is the charge that it encourages the formation and perpetuation of single-parent families. The specifics of the charges have changed over time, but not the basic message. Originally, it was suggested that we had developed a welfare system that rewarded single-parent families by denying benefits to families with two parents. More recently, in the wake of the negative income tax experiments, it is alleged that by relieving a family of the necessity of relying on two parents for income, welfare facilitates marital disruption.

Figure III plots the fraction of all children living in a female-headed household and the fraction of all children who have received AFDC since 1960. The fraction of all children living in a female-headed household started rising much faster in the late 1960s, at precisely the time when the number of children on AFDC rose sharply. But then the trends diverged—dramatically so.

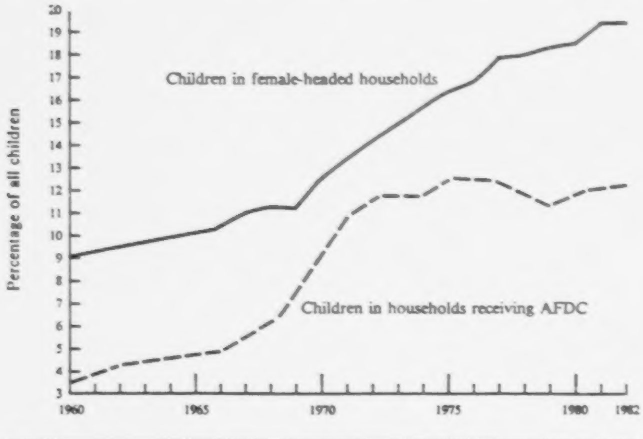
Since 1972, the fraction of all children who live in a female-headed household has jumped quite dramatically, from 14 percent to almost 20 percent. During that same period, the fraction of all children who were in homes collecting AFDC held almost constant, at 12 percent. The figures are even more dramatic for blacks. Between 1972 and 1980 the number of black children in female-headed families rose nearly 20 percent. The number of black children on AFDC actually *fell* by 5 percent.

If AFDC were pulling families apart and encouraging the formation of single-parent families, it is very hard to understand why the number of children on the program would remain constant throughout the period in our history when family structures changed the most.

These figures are easy to understand in light of the fact that real AFDC levels fell by almost 30 percent between 1970 and 1980 in the median state. Even in some comparatively liberal states, benefits plummeted. In New York City, benefits dropped 33 percent in real terms over this period. Food Stamps mitigated the declines somewhat. But between 1971 and 1983, combined Food Stamps and AFDC benefits fell by 22 percent in real terms in the median state. A smaller and smaller fraction of children in single-parent families were receiving AFDC for a very simple reason—benefit levels, and therefore eligibility, were being sharply cut back.

Perhaps the impact of AFDC benefits was delayed, or perhaps once a threshold is reached, people do not react to changes in benefit levels. These explanations could explain why family structures

Figure III. Comparative Percentages of Children in Female-Headed and AFDC Households, 1960-1982[a]



[a] *Source:* U.S. Bureau of the Census (Current Population Reports, ser. P-20), *Household and Family Characteristics*, various years; *Social Security Bulletin, Annual Statistical Supplement*, various years.

continued to change even as benefits fell. But we can think of no story crediting AFDC with a very large part in inducing changed family structures which is consistent with a falling absolute number of children on the program.

And what about the sharp rise in the fraction of all births to unmarried black mothers? The birth rate to unmarried black women fell 13 percent between 1970 and 1980. But the birth rate among all married black women fell even more—by 38 percent—so the fraction of births to unmarried women rose. During the same period, the unmarried birth rate to whites rose by 27 percent. It seems difficult to argue that AFDC was a major influence in unmarried births when there was simultaneously a rise in the birth rate to unmarried whites and a fall in the rate for unmarried blacks.[2]

Probably the most important lesson of the time-series analysis is that family structure changes just do not seem to mirror benefit level changes. We have already made rather Draconian cuts in benefit levels and family structure changes have not slowed appreciably. It seems hard to believe that further cuts would do much to hold families together.

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[2] See, for example, Mary Jo Bane and David T. Ellwood, "The Impact of AFDC on Family Structure and Living Arrangements," *Journal of Labor Research* (forthcoming, 1986).

A second approach also fails to find a strong connection between AFDC and family structure. Benefit levels vary widely from state to state. In Mississippi in 1980, a single-parent family of four could get a maximum of $120 per month in AFDC benefits, and that amount had been raised from $60 per month only a few years earlier. In California or New York, the same family could get $563 in benefits.

The gaps between states are not quite as large as they might seem, because the Food Stamps program is a federal one with uniform benefit levels nationally. As such it narrows the gaps in benefits between states. But even including Food Stamps, benefits vary by a factor of two to three. Food Stamps are available whether or not one is in a single-parent family, so their impact on family formation choices is unclear.

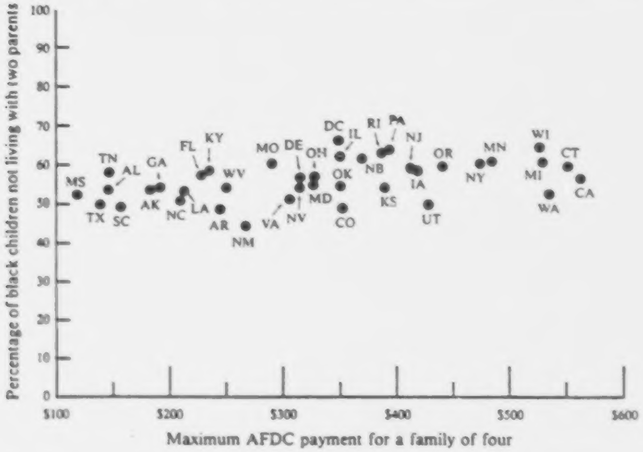
The obvious test is to compare the percentage of children living in female-headed households, or the divorce rate or the birth rate to unmarried women, with benefit levels across the states. Figure IV provides such a comparison for 1980. There is no obvious relationship between the percentage of children not living in two-parent families and AFDC benefit levels across states. The same holds for almost every other measure of family structure as well, including divorce rates and out-of-wedlock birth rates. More sophisticated regression techniques which control for differing socioeconomic characteristics across states typically also show little or no relationship.

Our conclusion is that AFDC has far less to do with changes in family structures than has been alleged. We suspect that the changes are probably better traced to changing attitudes toward welfare and heightened independence brought about by a host of forces that seemed to have come to a crescendo in the late 1960s. In the black community, family structure changes may have had more to do with the changing fortunes of black men than the availability of AFDC.

AFDC and single mothers

Unlike the disability program, there are undoubtedly some reductions in labor supply by female family heads induced by the current program. However, studies suggest that AFDC has had a modest effect in reducing work. Welfare mothers do not seem to be very sensitive to work incentives. Most recently, changes have been made in the AFDC program which essentially eliminate all work

Figure IV. Relation of State AFDC Benefit Levels to Proportion of Black Children in Single-Parent Households, 1980[a]



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[a] *Source:* State volumes of the 1980 census; AFDC benefit amounts from U.S. House of Representatives Subcommittee on Oversight and Subcommittee on Public Assistance and Unemployment Compensation, *Background material on poverty* (1983, p. 83).

incentives. After four months, benefits are reduced at least $1 for each dollar the woman earns over $30. Yet available evidence indicates that there has been little change in the work of single mothers.

Concerns about AFDC run deeper than just a fear that short-term work incentives are distorted. There is a sense that long-term dependency has developed, that people have come to rely on welfare to meet needs that they could and would meet on their own if they had no alternative. Except for the case studies of sociologists, we know of no definitive work on the extent to which pathological dependency exists, or on the role that AFDC has had in creating such dependency.

But there is information on the duration of AFDC receipt which does shed some light on this issue. The evidence, as analyzed by Mary Jo Bane and David Ellwood for example, suggests two subgroups within the AFDC population. Most people who use AFDC stay on the program a relatively short time. At least 50 percent leave within two years, 85 percent leave within eight. Most women who ever use AFDC do not seem to get trapped by it. At the same time, the minority which does stay on a long time accumulates and thus ultimately receives most of the benefits that are paid out. That minority also accounts for a large fraction of people who are on the program at any one point in time. The 15 percent of new recipients who stay eight years or more on the program collect more than 50 percent of the benefits paid out. Further, certain women are at particular risk of long-term dependency. Unmarried mothers, high school dropouts, and nonwhites all tend to have much longer stays than others.

Thus the program does provide short-term relief to the majority of the people it touches, but the bulk of its expenditures goes to a group that is in fact dependent on welfare for an extended period. This dependent group is a legitimate source of concern. There is not any good evidence that they are trapped by welfare *per se*; we only know that they rely on it for at least part of their support. Such dependence is easily explained. Few single mothers get much child support from absent fathers, so there are just two routes to self-sufficiency—work and marriage. And both of these can be hampered by the presence of young children. Still, the fact that many are found in this state of dependence seems undesirable.

Knowingly or unknowingly we have been engaged in an experiment over the past ten years. This experiment has been carried out at the expense of single mothers and its results can be judged a failure. We have cut back AFDC benefits considerably, but there has been no noticeable effect on family structure or work. We can be sure the impact on the well-being of single mothers was noticed by the families. We have also conducted an experiment in allowing benefits to vary across states for years. Here, too, there is little evidence that these differences have had any noticeable effect on work or family structure.

Yet there are sources of concern. There is little evidence that the current system causes large changes in family structure. But there is reason to worry that massive widening of welfare benefits to other groups could have more serious disruptive effects. The negative income tax experiments suggested that a system which allowed a husband and wife to split up and each collect benefits independently increased marital splits among low-income familes by as much as 40 percent more than was true under the existing system. These results, while not definitive (splits did not increase in one site, racial patterns differed across sites), do serve as a warning that major changes in incentives could have important consequences, at least for marital stability.

And dependency is a problem for some AFDC recipients, at least if dependency is defined as long-term welfare receipt. Such dependency is troubling, particularly since it seems to be greatest among groups that have considerable disadvantages to begin with. Our current welfare policies may have some influence on this dependence. There is a widespread hope that government could do something to help these women become self-sufficient.

Yet government has not shown much capacity to improve the situation very much. We know of no serious policy that encourages family formation. We have tried various programs that have had some success (particularly Supported Work) in helping long-term recipients and poor women generally, but gains have been quite modest. While the desire to pursue ways to improve the ability of single women to support themselves is widespread, few who have designed these programs have very optimistic expectations.

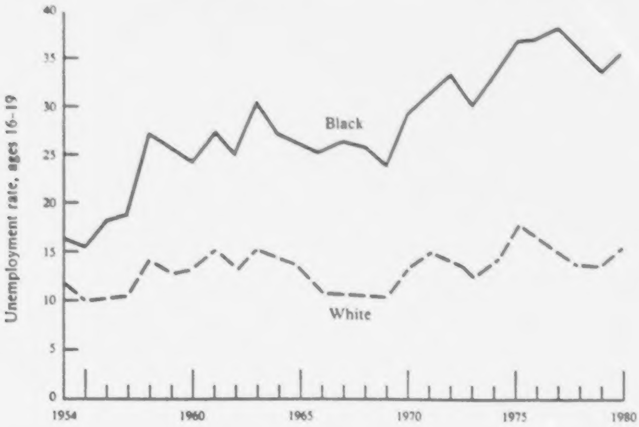
The peculiar nature of the welfare problem for single mothers is the fact that society generally recognizes and encourages mothers who stay home and care for children, but it also sees self-sufficiency as a virtue and it is increasingly unwilling to accept welfare dependence among single mothers in the way it accepts it among the disabled. Thus one cannot have a program of high benefits and no work incentives, as is offered the disabled. More complex regulations about work and child care are inevitable given social preferences. Diverse services must be offered.

Black youth and the "job gap"

By every conceivable measure the labor market situation for young blacks is bad and getting worse. Figure V shows the unemployment rate among black and white youth aged sixteen to nineteen from 1955 to 1980. While the rate for white youth has been relatively steady throughout the period, the rate for blacks has risen almost continually, though it was during the 1970s that the gap really widened. If we look at the sexes separately, we see similar patterns for young men and women. Things get somewhat better as the youth age, but the gap between the races has been widening for those aged twenty to twenty-four as well. The magnitude of the problem cannot be overstated. In 1980, before the recession really hit, only one in three black teenagers out of school had any job.

What is all the more perplexing about this widening gap is the fact that the changes have come at a time when developments are occurring that might have been expected to narrow the racial gap. Civil rights legislation was passed in the 1960s which reduced overt discrimination in the workplace. The educational patterns of the races have been converging: Similar proportions of blacks and whites now complete high school. College is almost as common for non-

Figure V. Unemployment among Teenaged Black and White Youth, 1954-1980*



* *Source:* U.S. Bureau of Labor Statistics, *Handbook of Labor Statistics* (1984).

whites as whites. Blacks are also narrowing the racial gap in the more highly paid professions.

The fear of many conservatives is that the very social forces which predominated in the late 1960s, particularly the push for social welfare programs, lead to a destruction of traditional values and expectations that hard work pays off in the long run. We are not competent to judge the entire sociological impact of public policy generally or to evaluate changing values in America's ghettos. But we can explore the logic of an assertion that the expansion of social welfare programs played a major role in the decline of work among black youth.

We will concentrate on employment of black male youth to avoid problems associated with childbearing among young women. Is it plausible that social welfare policies have caused a severe decline in the work ethic among young black men?

Certainly such policies have not removed incentives to work. Single men are eligible for very little in the way of federally sponsored welfare benefits. A youth living alone is eligible only for Food Stamps. In 1982, his benefits would have been $70 per month, hardly enough to live on. For the first $85 the youth earns, benefits are not reduced at all, then for every dollar he earned these benefits would be reduced by only 25 cents. If he found a full-time minimum-wage job he would earn $560 per month in gross earnings and at least $450 after taxes and expenses. It certainly seems hard to believe that the Food Stamp program would reduce the financial rewards to work much.

If the youth lives at home (as most do), the picture hardly changes. If he lives in a poor two-parent household, his family is likely to be collecting Food Stamps. His presence in the home increases the monthly stamp allotment by roughly $60 per month. This allotment is diminished by the same formula as above if he works. Contrary to popular belief, a child eighteen-years-old or over who is not in school cannot now and never could be counted as a part of an AFDC unit. That means that a family's AFDC benefits do not depend on whether the youth lives with the family or not, and benefits will not be reduced if he earns more.

Thus it is extremely unlikely that welfare programs have robbed young black men of an incentive to work with their direct effects. But there is a broader concern. Perhaps the whole structure of welfare has created a culture of nonwork and dependence. Such a possibility is very hard to test, but there are several facts which are hard to explain in light of such a hypothesis: Employment rates for young men living in two-parent families are not very different from those of youngsters living with one parent. In 1975, some 23 percent of young black men living with two parents and 21 percent of those living with one parent had jobs. For whites, the figures are closer to 50 percent for both family types. One would generally expect to find a difference by family type simply because youth jobs are typically found through informal networks and one would anticipate that those in fatherless homes would have less access to such networks. Moreover, though unemployment does fall among blacks as family income rises, the differential between whites and blacks is largely unchanged.

Black youth living in central cities do not seem to fare much worse than those living outside the ghettos. According to the 1980 Census, 32 percent of out-of-school black youth in central cities had jobs whereas 38 percent of those living in the suburbs were employed. Similarly only 35 percent of out-of-school nonwhites living in nonfarm rural areas were working. While the figures above differ slightly, they are all vastly lower than the 62 percent figure for whites. If black youth unemployment were concentrated in the ghettos, it would be easier to point to the culture of poverty hypothesis.

The fact that black/white youth unemployment differentials seem to persist for all geographic locations, for all family types, and for all income groups clearly suggests something more fundamental is to blame than the growth of welfare programs, which amount to less than 1 percent of GNP.

Among researchers who have looked at the problem, there is no consensus about what is happening. Most of the simple theories have been tried and they do not account for all of the widening differential between blacks and whites. There is considerable evidence of a job shortage for black youth. Kim B. Clark and Lawrence H. Summers have documented that black youth unemployment responds very strongly to aggregate demand,[3] but such an explanation can be only part of the story. Macroeconomic conditions did worsen over the 1970s, but not enough to explain the widening differential. And the racial gap widened somewhat even during the extraordinarily strong economy of the late 1960s. There are fewer jobs in the ghettos, but Ellwood has shown that nonghetto youth seem to fare just as badly as ghetto youth.[4] Nearly all researchers agree that the minimum wage lowers black youth employment, but the differential has continued to widen even during periods when the minimum wage did not change. Women entered the labor force in large numbers in the 1970s, but their entrance did not seem to hurt white youth. Taken together, the various explanations might explain half or more of the widening differential, but one gets the sense that something more fundamental has changed. Moreover, even if one places all the blame on job shortages, the explanation begs the question of why jobs are not being offered to young blacks when they are being offered to young whites.

And just as black youth joblessness defies easy explanation, it defies easy solution. Most careful experiments have shown disappointing long-term results. Public service employment increases youth employment, but when the public jobs end, employment rates seem to fall back to their previous levels. There just are not any good answers at the current time.

This is not the appropriate place to discuss what might be done to help such youth. But one thing is very clear: To expand welfare benefits to this group would have large adverse incentive effects. The negative income tax experiments showed that when income was afforded to youth aged sixteen to twenty-one, work fell by almost 50 percent below its already low rate. It is hard to imagine a policy with more deleterious effects on the long-run well-being of black youth.

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[3] Kim B. Clark and Lawrence H. Summers, "The dynamics of youth unemployment," in *The Youth Labor Market Problem: Its Nature, Cburses, and Consequences*, Richard B. Freeman, David A. Wise, eds. (Chicago: University of Chicago Press, 1982).

[4] David T. Ellwood, "The Spatial Mismatch Hypothesis: Are There Teenage Jobs Missing in the Ghetto?" in *The Black Youth Employment Problem*, Richard B. Freeman, Kasey Ichniowsky, eds. (Chicago: University of Chicago Press, forthcoming).

The employment problems of black youth then cannot be blamed on current welfare policies. In large part, that is because we have avoided offering welfare to young people. While there is surely some financial suffering as a result, the fact that extending benefits to these persons would so dramatically reduce work is an overriding consideration.

Reaffirming the "categorical" welfare system

The analysis in this paper demonstrates that government policies cannot be blamed for a great deal of the problems of the disadvantaged. This reflects the design of current policy. Much aid is the in-kind form and programs are offered on a categorical basis.

The fact that the problems of the three groups we considered are so different and that the consequences of aid varied so greatly argues for a continued reliance on a categorical approach to offering aid to the disadvantaged. For the disabled, there is little concern with dependence or work incentives. This allows for liberal benefits and forces no compromises on work incentive. For single mothers, the need is quite real, and while there is little evidence that we have been overly generous in our benefits, there is evidence for some long-term dependency. Trying to balance the needs of children, the rights of mothers to care for their children, and the desire of society (and presumably the mothers themselves) to be self-sufficient suggests the need for a complex policy aimed at that group. For youth, the reduced work that would apparently accompany an extension of benefits is a crucial factor mitigating against an expansion of welfare in that direction.

More fundamentally, general economic principles suggest the desirability of a complex welfare system with different rules for different groups and partial reliance on in-kind benefits. The patchwork character of current policies *is* consistent with the goal of economic efficiency. The basic problem of welfare policy is to transfer income to those truly in need without sizeable adverse incentive effects and without diverting significant resources to those who are not truly in need. Seen in this light, prominent features of our current welfare system seem easily explainable. Efficiency in redistribution can be increased if payments are based on available indicators of true earning power.

Particularly desirable are indicators which are not easily altered, such as disability, and perhaps family status. Moreover, the use of any type of assistance which will help the truly poor, but be relatively unattractive to the nonpoor, will raise the amount that can be redistributed with a minimum of distortion. This may justify substantial reliance on some types of in-kind programs. People not in need are less likely to try to look poor in order to qualify for public housing than they are to qualify for cash assistance. Some administrative burdens on welfare recipients might also be defended as facilitating redistribution by increasing the government's ability to separate those in serious need.

Current policy may also be defended on philosophical grounds. It expresses the value society places on self-reliance. We expect those who can to help themselves. Benefits are provided only to those able to provide some evidence of their inability to support themselves. Most Americans regard the reasons for indigency as sharply influencing their willingness to offer aid. The disabled, single parents, and those injured or laid off from work can offer some evidence that their financial straits are not caused by an unwillingness to work.

While we see reasons for concern about the effects of reducing eligibility restrictions, we see little cause for concern about the effects of raising benefit levels under current programs. Restoring real AFDC benefits to the levels of a decade ago and reducing or eliminating regional disparities would do a great deal for people in need without much disincentive effect on work. Certainly there are equity considerations which would be served by allowing working poor families aid beyond Food Stamps. But there are strong arguments for the primary notion of categorical welfare, at least until we develop ways of attacking the fundamental social problems of the nation's poor directly and successfully.

[Excerpt From The New Republic, March 25, 1985]

The intellectual mugging of the Great Society.

LOSING FAITH IN 'LOSING GROUND'

BY ROBERT GREENSTEIN

FEW BOOKS have received more political attention this year than Charles Murray's *Losing Ground*. The book has emboldened conservatives who attack the welfare state and unsettled liberals who defend it. A relentless attack on federal poverty programs, the book argues that these programs have done far more harm than good and should be abolished. Murray advocates elimination of every federal benefit program for the non-elderly poor, with the sole exception of unemployment insurance. From food stamps to Medicaid, from public assistance for dependent children to disability insurance and workmen's compensation for incapacitated workers, from housing assistance for low-income families to nutrition supplements for poor pregnant women, Murray would end them all.

The book bases these recommendations on mounds of data—data arranged to show that the poverty programs not only failed to accomplish their goals, but actually exacerbated the very problems they were designed to solve. The guts of the book—more than 100 pages of data analysis—attempt to demonstrate that evidence of failure is inescapable and overwhelming. Even some who are uncomfortable with Murray's call to rip out the safety net have found his data disturbing and have been shaken by the book.

But before Murray's view that the programs have failed becomes the new conventional wisdom, careful examination of his use of the facts and figures is very much in order. Could it be that *Losing Ground*, with its endless recital of statistics, actually rests on deceptive numbers juggling? That Murray has, in the service of a radical political agenda, consistently omitted or concealed critical facts and research findings that do not support his case? Close scrutiny of Murray's data suggests that this is precisely what has occurred. This is the untold story behind *Losing Ground*.

Consider, for example, the "case of Harold and Phyllis." Harold and Phyllis are a fictional couple that Murray creates to illustrate one of his principal contentions—that the social programs have led to unemployment and illegitimacy among blacks by encouraging the poor to live off welfare rather than to work. Murray presents Harold and Phyllis as a young couple facing fundamental decisions about their lives. Phyllis is pregnant, and the couple must decide whether to get married. More important, they must also decide whether Harold should take a tedious minimum-wage job, or whether Phyllis should go on welfare and Harold should live off her benefits rather than work.

In 1960, according to Murray, their decision is clear-cut. He presents household financial data showing that Harold and Phyllis are much better off if Harold works, he and Phyllis get married, and Phyllis does not go on welfare. By 1970, however, the incentives have shifted. Murray's family budget now shows that they are actually a bit better off collecting welfare than if they get married and Harold takes a job. Here, in a nutshell, is the core of the Murray thesis. The "rules of the game" have changed, Murray tells us, and the "incentives" have shifted in the wrong direction. This is the reason that poverty didn't decline in the 1970s and that the number of employed young black men has dropped.

The Harold and Phyllis example is at the heart of Murray's case and is critical to the entire book. It is also flatly wrong. First, Murray's family budgets for 1960 and 1970 are *not* based on welfare benefit levels in an average state. Instead, his data is for the state of Pennsylvania, a fact buried in footnotes at the back of the book. Welfare bene-

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fits grew twice as fast in Pennsylvania from 1960 to 1970 as in the nation as a whole. This allows Murray to portray the shift in "incentives" over the decade as being twice as great as they actually were.

Murray makes a second error. In calculating the family's budget if Harold works, Murray incorrectly assumes Phyllis and her child cannot obtain food stamps, even though poor families who work are eligible for food stamps. In figuring the budget if they went on welfare, however, Murray does not make the same mistake and adds in food stamps when computing the family's income. The error makes working, compared to welfare, appear less attractive than it actually was.

When the welfare vs. work comparisons are computed accurately, they show that taking a minimum-wage job was more profitable than going on welfare in most parts of the country in 1970. In some states with low welfare payments, such as southern states, minimum-wage jobs paid almost *twice* as much. If Murray's thesis were correct that perverse welfare incentives spurred the growth of female-headed households and the rise in black unemployment, then these developments should have occurred to a much greater extent in those few high welfare payment states in which adverse "incentives" actually existed than in the low welfare payment states in which the advantages of working were greatest and minimum-wage jobs remained vastly more remunerative than public aid. But there is no such pattern. Female-headed households increased and black employment declined everywhere—regardless of whether state welfare benefits were high or low, or whether the benefits were raised or not.

Murray's argument loses even more force when it's applied to the years after 1970. Although his book is subtitled *American Social Policy 1950-1980*, he never provides a 1980 family budget for Harold and Phyllis. If he had, he would have undermined his case. From 1970 to 1980, the incentives shifted strongly away from welfare and toward work. Beginning in 1969, welfare benefits fell sharply, as states failed to adjust benefits to keep pace with inflation. During the 1970s, benefits in the Aid to Families with Dependent Children program, the basic public assistance program for single-parent families with children, fell nearly 30 percent in real terms. Even when food stamps and low-income energy assistance are included, benefits to these families dropped about 20 percent.

AT THE SAME TIME, the advantages of working were expanded, through the enactment in 1975 of the earned income tax credit for the working poor. As a result, in 1980—even in Pennsylvania—Harold and Phyllis would have *one-third more income if Harold worked* than if he remained unemployed and Phyllis collected welfare. In most states other than Pennsylvania the advantages of working were even greater by 1980. In Texas Harold and Phyllis would have 100 percent more income if Harold worked. If perverse welfare incentives in the late 1960s actually led to family dissolution and black unemployment, as Murray contends, then these trends should have

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THE MANHATTAN PROJECT

BACK IN MAY 1982, a little-known scholar from Iowa went to a luncheon symposium at the Manhattan Institute, a small, conservative New York think tank. William Hammett, the president of the Manhattan Institute, had invited the young scholar after reading about a Heritage Foundation pamphlet he'd written called "Safety Nets and the Truly Needy." Hammett liked its provocative argument—that abolishing poverty programs would probably help the poor more than it would hurt them. At the luncheon, he asked the young scholar if he'd like to expand his pamphlet into a book; he offered him the Manhattan Institute's full financial support. The young scholar said that sounded pretty good. Within a couple of months the contracts were signed, the young scholar had been transformed into a Manhattan Institute "Senior Research Fellow," and the book was underway.

The young scholar was Charles Murray, and the book was *Losing Ground*, which is now being called the most important work on poverty and social policy since Michael Harrington's *The Other America*. Though Murray's publisher has printed about 20,000 copies (which sell for $23.95 each) since September, the best indicator of *Losing Ground*'s success is not how many people have read it, but *who* has read it—or at least heard about it. *Losing Ground* has been the subject of dozens of major editorials, columns, and reviews in publications such as *The New York Times*, *Newsweek*, *The Dallas Morning News*, and THE NEW REPUBLIC—even the Sunday *Times* of London. According to *Washington Post* columnist Meg Greenfield: "No matter what kind of government effort you may argue for these days, in [the poverty] area . . . you are likely to be 'Charles Murrayed,' and that will be the end of the argument. The simple invocation of the book's existence will be taken as an answer to the question." The White House was so impressed by *Losing Ground* that it is now considering Murray for a job as an assistant secretary of Health and Human Services.

How did this statistical tome become such a media event? It was no accident. Murray says himself that the book might never have gotten the coverage it has without the help of a well-funded promotional campaign led by the Manhattan Institute. The success of *Losing Ground* is a case study in how conservative intellectuals have come to dominate the policy debates of recent years.

The Manhattan Institute's promotion of Murray's book is the smooth execution of a strategy first suggested by neoconservative intellectual Irving Kristol. In a 1977 *Wall Street Journal* piece, "On Corporate Philanthropy," Kristol argued that, instead of funding liberal foundations that give grants to left-wingers, businessmen should give to "new class" publicists who favor free enterprise. "You can only beat an idea with another idea, and the war of ideas and ideologies will be won or lost within 'the new class,' not against it," Kristol wrote. He reminded businessmen that "if you decide to go exploring for oil, you find a competent geologist," and urged them to seek out intellectual guides who could direct them to pro-business scholars within the predominantly anti-business new class.

In the case of Murray, it was Hammett who served as "geologist," locating Murray—"he was a nobody . . . we were definitely taking a flier on him," Hammett says—and persuading foundations and corporations to help finance his book. Hammett raised and spent $125,000 for the two-year Murray "flier." Most of that came from two right-wing foundations—Scaife, which gave $75,000, and Olin, which chipped in $25,000. (According to Hammett, a letter of recommendation from Kristol himself helped secure the Olin money.) The $125,000 went for a $35,000 annual stipend for Murray, and for promotional activities both before and after the book's publication.

At a cost of almost $15,000, Hammett sent more than 700 free copies of *Losing Ground* to academics, journalists, and public officials all over the world—including members of Margaret Thatcher's cabinet in Britain. He assigned a public relations specialist named Joan Kennedy Taylor to handle the Murray campaign. She helped Murray line up TV appearances and meetings with editors and academics. She followed up the Institute's mailing of his book with letters to newspapers and magazines. For example, after noting that *U.S. News & World Report* deputy editor Lawrence Maloney had written the magazine's March 26, 1984, cover story on the underclass, she sent him a copy of the book and offered an interview with Murray. Sure enough,

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reversed themselves in the 1970s, when the relative advantage of work over welfare increased sharply. They didn't. The number of female-headed households continued to surge, and black employment declined. This is not surprising since benefit programs had little to do with causing these problems.

Another of Murray's central arguments is that, despite significant increases in social program spending, the poverty rate didn't drop from 1968 to 1980. If the programs were successful, Murray says, the poverty rate should have declined. This sounds straightforward enough. But once again, Murray neglects the key facts that contradict his message. For example, the unemployment rate in 1980 was double what it was in 1968. When unemployment goes up, poverty rises along with it. Small wonder that the poverty rate wasn't lower in 1980, a recession year, than in 1968, when unemployment was just 3.6 percent.

The fact that poverty was no higher in 1980 than in 1968, despite the doubling of the unemployment rate, actually provides strong evidence that these programs were helping people who would have otherwise been impoverished by the sluggish economy. Further evidence comes from the Urban Institute. In its study *The Reagan Record*, the Urban Institute found that in 1965, before the poverty programs were expanded, federal benefit programs lifted out of poverty less than half the of those who would have otherwise been poor. By the late 1970s, however, the programs had been broadened and were lifting about 70 per-

U.S. News's December 24, 1984, ccv-story, "Welfare in America," devoted considerable space to *Losing Ground*.

The Institute also arranged a seminar about Murray's book last October. Intellectuals and journalists thought to have some influence on the policy debate were enticed to New York to spend a day and a half listening to Murray and discussing his ideas. Participants included Martin Anderson of the Hoover Institution, formerly President Reagan's chief domestic policy adviser; Professor Nathan Glazer of Harvard; Ken Auletta of *The New Yorker*; Charles Peters, editor of *The Washington Monthly*; and the author of THE NEW REPUBLIC's TRB column. (Participants received "honoraria" ranging from $500 to $1,500.) This poverty seminar took place at the New York Athletic Club; participants stayed at the club and at the Park Lane Hotel, where single rooms start at $155 per night. All told, the Manhattan Institute laid out $10,000 for guests' air fares, meals, and lodging.

Hammett got the cash to stage this event from an obscure Indiana-based foundation called the Liberty Fund. Ordinarily, the Liberty Fund limits itself to projects like filming documentaries on the life of Adam Smith and the miracle of free enterprise in Hong Kong. But Hammett, scanning the entire country for sources of funding, shrewdly identified the Liberty Fund as a group that, if approached in the right way, would join him in the Murray project (though he concedes that the Liberty Fund "beefed" about the price of rooms at the Park Lane).

Now the Institute is acting as Murray's booking agent for a nationwide speaking tour. "We're using his time to promote the book," Hammett explains, noting that this is necessary because "a publisher won't do this with a serious nonfiction book." The tour has taken Murray from college campuses in California to Kiwanis Clubs in Kansas City. The Manhattan Institute carefully maps out each visit in advance. Here's part of an itinerary the Institute arranged for Murray's recent visit to Denver: "5:30 p.m., November 11—*The Mike Rosen Show* live with phone-in . . . John McCarty, Vice President, Public Affairs, Adolph Coors Co., will pick you up after show for a 'bite to eat' . . . November 12, 7 p.m., *Herrick Roth's Roundup* Taping . . . Note from JKT [Taylor]: Have jacketed copy of *Losing Ground* with you, just in case, to show on screen."

Murray confesses that the help showered upon him by the Manhattan Insititute has seemed a bit overwhelming at times. "After we'd signed all the contracts and everything, I just thought, This is all too good to be true," he recalls. "I asked them 'What's the catch?' But there wasn't any." Indeed, for the Institute, the rewards are the purely intangible ones that come from what Hammett calls "getting new ideas into circulation." Under the terms of its contract with Murray, the Institute will only take enough royalties from *Losing Ground* to pay itself back for the money it advanced to Murray; Murray himself gets to keep whatever is left over after that.

And Hammet's foundation backers have no doubt found Kristol's goals for influencing the discussion within the new class brilliantly fulfilled. They are beating liberal ideas with conservative ones. The comparison with Harrington's book is apt. Just as *The Other America* helped prepare the public consciousness for the Great Society, *Losing Ground* has become the manifesto of those who want Great Society programs dismantled once and for all—although Hammett himself concedes that this is a long-term proposition. "We wrote it to inform the debate in '88," he says, forgetting for a moment, perhaps, that Murray wrote the book alone.

As this slip of the tongue suggests, the quality of Murray's intellectual goods is not the only reason for his success. Barriers to entry in the marketplace of ideas are high, and Murray has had generous help overcoming them. If there's a liberal out there who wants his provocative and statistically sophisticated defense of social programs to be debated, he can always turn to the foundations and think tanks that Kristol complained about in 1977. But the Brookings Institution, the Ford Foundation, the prominent New York publishing houses, and the like are hardly as attuned to the way political ideas get into circulation as are organizations like the Manhattan Institute. The more traditional outfits just send out press releases and review copies and wait (pray, really) for good ideas to be recognized. They have not yet mastered the art of making sure that a busy writer for, say, *U.S. News* will hear about and read their products. The Manhattan Institute's canny innovation is to rely as little as possible on chance—and as much as possible on marketing. Of course, money helps, too.

CHUCK LANE

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cent out of poverty. In effect, from 1968 to 1980, the slowing of the economy dropped people into poverty and the broadening of benefit programs lifted them out. The two trends roughly balanced each other, and the poverty rate remained about the same.

Murray claims the economic downturn had nothing to do with the failure of the poverty rate to drop in the 1970s. He asserts that economic growth, as measured by the Gross National Product, rose more in the 1970s than in the 50s, when poverty did decline. This proves, he claims, that it wasn't the economy that kept poverty rates high in the 1970s. The trouble with this argument is that the GNP is not the relevant issue. Growth in the GNP does create jobs, but this growth was too slow in the 1970s to create *enough* jobs for the unusually large numbers of women and young people (from the baby-boom generation) who were entering the job market. As a result, unemployment rose. At the same time real wages, which had been rising steadily in the 1950s and 1960s, stopped growing. When unemployment rises and real wages fall, poverty increases—and low-income groups (especially black males) are affected the most. Far from being irrelevant, the economy was the principal reason poverty failed to drop in the 1970s. Only the benefit programs Murray attacks prevented poverty from rising further still.

The economic data also punch a large hole in what Murray calls "the most damning statistic" of all: the increase in "latent poverty" between 1968 and 1980. Latent poverty is Murray's term for the number of people who would be poor if they didn't get government benefits. The increase in latent poverty is of great importance, according to Murray. He says it proves that independence and initiative declined, sapped by the availability of government benefits. But the increase in latent poverty proves nothing of the sort. Because the latent poverty rate is based on income *other* than government benefits, changes in this rate largely reflect fluctuations in household earnings. As a result latent poverty rises when unemployment climbs and real wages fall. It was higher in 1980 than in 1968 simply because a weak recessionary economy produced fewer jobs and less income. This statistic tells us nothing about the supposed corrosive effects of social programs on individual initiative.

The fact is when social program benefits were raised in the period 1960-80, poverty declined, and when benefits were lowered, progress in reducing poverty halted. The elderly are a case in point. In the 1960s and 1970s, Social Security benefits expanded and the Supplemental Security Income program for the aged and disabled poor was created. As a result, the elderly poverty rate plummeted from 35 percent in 1959 to 25 percent in 1970 and to less than 16 percent in 1980.

Similarly, in the 1960s, when AFDC benefits rose in real terms, poverty among single-parent families dropped. After 1969, however, AFDC benefits fell sharply, as states failed to keep benefits even with inflation. This turnaround in AFDC benefits is critical. It means that the poverty rate for the non-elderly stopped declining at the same time that AFDC benefits started falling. The correlation between benefit levels and poverty trends stands Murray's thesis on its head. Rather than suggest, as Murray does, that increased welfare had an adverse effect on poverty, the data indicate that it was reductions in benefits (along with a faltering economy) that contributed to the unsatisfactory progress against poverty in recent years.

Indeed, no other group in American society experienced such a sharp decline in real income since 1970 as did AFDC mothers and their children. Yet *Losing Ground* ignores this development. Despite Murray's professed interest in determining why poverty stopped declining, the fundamental fact that benefits for AFDC families fell 20 percent during this period is *never mentioned* in his book. Murray tells his readers only that benefit increases "slowed" after 1970 and increased "little if at all" after the mid-1970s. No hint is ever provided that benefits actually declined.

MURRAY ALSO ignores important research that doesn't fit his argument. Murray contends, for example, that AFDC benefits are a prime cause of illegitimacy, especially among black teenagers. The leading research on this issue strongly refutes his argument. Murray makes no mention of it.

In 1978, Maurice MacDonald and Isabel Sawhill published an exhaustive review of the research literature. They found no evidence of any significant connection between welfare and out-of-wedlock births. In early 1984, Harvard researchers David Ellwood and Mary Jo Bane published a landmark study on illegitimacy and welfare. Welfare apparently has some influence on whether unmarried women who get pregnant continue to live at home. But Ellwood and Bane found that welfare has *no* impact on whether unmarried women—including teenagers—get pregnant or bear children in the first place.

Murray ignores some relevant statistics too. From 1972 to 1980, the number of children in black female-headed households rose nearly 20 percent, but the number of black children on AFDC *fell by five percent*. If AFDC is to blame for illegitimacy, why did the black AFDC population decline at the same time that black female-headed households were increasing rapidly? How can welfare be encouraging more single black women to have children if many of these same women do not collect welfare when the children are born?

Murray is free to disagree with Ellwood and Bane. But he ought to explain why he believes their extensive research is flawed. He also ought to offer evidence to support his own contention that welfare has increased black teenage birth rates. He does neither. Instead, he avoids the formidable challenge Ellwood and Bane pose to his thesis by failing to acknowledge their work.

ANOTHER KEY element of the Murray thesis is that between 1965 and 1980, when social programs grew, the proportion of black men in the labor force declined and the employment gap between young white men and young black men widened. Once again, according to Murray, the programs were the culprits. Murray produces little evidence of a causal connection. And here too, the research points largely in other directions.

Employment among black teenagers actually declined more in the 1950s, before the poverty programs began, than it did in the 1960s. Research by John Cogan (now associate director of President Reagan's Office of Management and Budget) shows that virtually *all* of the decline in black teenage employment from 1950 to 1970 was caused by the disappearance of low-paying jobs in the south, as southern agriculture was mechanized. In 1950, Cogan reports, nearly half of all employed black teenagers worked as farm laborers, and more than 90 percent of these black teenage farm workers lived in the south. From 1950 to 1970, most farm employment in the south disappeared. As a result the main source of employment for black teenagers vanished.

Cogan's conclusions specifically refute Murray's hypothesis. The statistical evidence, Cogan observed, is "inconsistent with the view that the growth in welfare participation among blacks is at the heart of the decline [in black teenage employment]." In the north, where welfare benefits were higher and welfare participation grew much faster than in the south, black youth employment did *not* drop, Cogan noted. By contrast, it was in the south—where welfare payments were lower and welfare rolls grew much more slowly—that black teenage employment fell.

To be sure, employment among black youth continued to fall after 1970, when the mechanization of agriculture was largely complete. But by the early 1970s AFDC benefits were falling and welfare rolls had passed their period of growth, so the decline in black employment in this period cannot be blamed on expanding welfare benefits.

There are numerous other factors that appear to have contributed to the decline in black employment in the 1970s and to the widening jobs gap between black and white youth. The 1970s were a period of unprecedented competition for jobs, as record numbers of white women and black and white youth entered the labor market. In these swollen labor markets, further enlarged by immigration, many young blacks from poor families (and often with poor educations) appear to have been pushed to the "back of the queue."

But the existence of public assistance programs is, at most, only a very small part of the unemployment story. The research in this area indicates that welfare has only a slight effect in reducing the degree to which AFDC mothers work outside the home. The effect on black men does not appear substantial either. The basic reason is that men who are not elderly or disabled are not eligible for much in welfare. Cash welfare benefits available to black unemployed youth range from meager to non-existent in nearly all jurisdictions.

EVEN IF poverty programs did not foster illegitimacy and idleness, did they produce positive results? Murray insists the answer is no. "Starting with the first evaluation reports in the mid-60s and continuing to the present day, the results of these programs have been disappointing to their advocates and evidence of failure to their critics," he proclaims. What is Murray's evidence? He discusses the disappointing results of community action programs, job training programs, and a failed Economic Development Administration project in Oakland, California. Even here, Murray overstates the case: evaluations of job training programs show mixed results. The more important point, though, is that most of these are early and relatively small "War on Poverty" efforts. Murray never addresses the research showing success in other, larger programs, many of which he proposes to eliminate.

In the decade before 1965, the infant mortality rate changed little. From 1965 to 1980, when Medicaid and other health programs were instituted, infant mortality was cut in half. There were especially large declines among blacks. Similarly, the mortality rate for men over 65 rose a bit in the decade before Medicare. But in the decade from 1968 to 1978 this trend was reversed. As Paul Starr, author of *The Social Transformation of American Medicine*, reported recently, life expectancy for Americans began to improve significantly around 1968. By 1980, average life expectancy at birth had grown four years, while mortality rates, adjusted for age, had fallen 20 percent. These are striking achievements, and Medicare and Medicaid were major factors. By virtually every measure prenatal and geriatric care for the poor improved markedly when these programs were introduced.

"Murray suggests that a variety of indicators show deterioration in the condition of the poor in America," Starr writes in a recent paper, "but curiously, although he recommends the complete termination of Medicaid, he never refers to any evidence about the health of blacks and the poor since the story there is exactly the reverse of the one he wants to tell."

The story is the reverse of what Murray wants to tell in other areas as well. Department of Agriculture surveys have found that the gap in nutrition between low-income Americans and the rest of society narrowed significantly from the mid-1960s to the late 1970s, the period when food stamps and other food assistance programs were developed and expanded. Other research has found that food stamp recipients eat better diets than similar low-income families not on food stamps, that school lunches improve the nutrition of children, and that the Special Supplemental Food Program for Women, Infants, and Children results in a marked reduction in low-weight births, which is a cause of poor health among children.

Similarly, careful evaluations have shown that the compensatory education program for disadvantaged children improves the reading and math scores of low-income elementary school children (and narrows the gap in test scores between young black and white children); that the Head Start program correlates with increased employment and reduced welfare, crime, and teenage pregnancy; and that the community health centers program improves the health of low-income communities, producing less hospitalization and reduced Medicaid costs.

Murray would abolish most of these programs. Yet any discussion of the abundant research literature about them is absent from his book.

It is true that while these programs reduced poverty and caused sharp improvements in such areas as health and nutrition, the programs did not create jobs or increase earnings for large numbers of the poor. That, however, would be an extremely difficult task to achieve in an economy that was not generating enough jobs to prevent unemployment from rising and real wages from stagnating. New approaches to spurring economic activity in poor communities—and to combatting teenage pregnancy as well—are needed and should be explored. But abolishing everything from food stamps to Medicaid will serve no purpose other than to make distress and hardship more acute than they already are.

CONGRESS WILL soon engage in bitter battles over where to cut the federal budget, and *Losing Ground* is already being used as ammunition by those who would direct more reductions at programs for the poor. They cite the book as a dispassionate source of objective data showing that the social programs have failed. Yet the book can be considered neither dispassionate nor objective. Its distortions and omissions are too serious. *Losing Ground* is more of a polemical tract than an attempt to examine the complexities and discern the truth about some of the most significant social problems of our times. □

[Excerpt From The New Republic, April 8, 1985]

THE GREAT SOCIETY: AN EXCHANGE

*Charles Murray's book, **Losing Ground**, has prompted considerable controversy. In the March 25 issue of* TNR, *Robert Greenstein challenged Murray's critique of liberal social programs. The debate between Murray and Greenstein continues below.*

LOSING GROUND, the totem, has become something with which to scare small children. It is the book that says that all the poverty programs failed. The book that claims to prove we cannot do anything to help the poor. The book that says the only solution is to scrap the whole system. *Losing Ground*, the book, is none of these things. It does not suggest a threshold or bound to a society's responsibilities to the poor. It does not prescribe a particular size of safety net.

Losing Ground is about the question of how, not how much or whether. It was written in the aftermath of enormous changes in social philosophy, strategy, and approaches to helping. It examines the experience to see what we can learn from it. The goal is not to grade the performance of the Great Society. The goal is to learn from our experience, and move ahead. The nature of the debate about "the poverty programs" has for many years impeded this goal. We created an array of programs and asked each to prove its independent value. Advocates of the programs accumulated packets of data proving their value, one packet for each program. The programs became all-important, and tunnel vision closed in.

Out of these times grew a new form of pseudo-scientific essay, the militant apologia. It is irrelevant that inner-city education crumbled: find the packet that proves compensatory education worked. It is irrelevant that the homes of malnourished children have plenty of food stamps: tell how much worse it would be without them. Deflect a challenge by attacking the agenda of the author.

Robert Greenstein's assault on *Losing Ground* ("Losing Faith in *Losing Ground*," March 25) is a classic of the genre. First, he ignores the damnable state of affairs that motivated the book. He ignores the intolerable reality that scholars of all ideological stripes should be working to change. That reality may be put like this: the more closely the numbers are examined—the more searchingly, the more fairly, the more rigorously—the more vulnerable are the claims that we would like to make about what we, the not-poor and the un-disadvantaged, have been accomplishing in our efforts to do good.

In *Losing Ground*, the first and most important part of making this point was to present the bare bones of *what* happened on a variety of dimensions commonly used to measure well-being of poor people of working age from 1950 to 1980. The core chapters of the book are devoted to tracing that story, scrupulously segregrated from my interpretation of the dynamics that explain the data. Greenstein did not dispute the accuracy of my factual account of those events. Indeed, the account cannot be disputed. What I reported about the trends in poverty, employment, education, crime, and family structure happened when I said they happened, and they tell a disturbing story that should animate concern and action no matter how one chooses to explain them.

In the last seven chapters of the book I turned to my appraisal of what the data mean. *Losing Ground* argues that in the early and mid 1960s there was a profound shift in intellectual assumptions about poverty and the problems that accompany it, summed up in the phrase "the system is to blame." If poor people commit crimes, it is because of their environment. If people are on welfare, it is because of structural problems in the economy. If students disrupt classes, it is because the educational system is unresponsive to their special needs. The people who behave badly are not to blame; they are victims. There is truth in all of these statements. But to construct social policy on this basis sends a self-defeating message to people who are experiencing the problems, especially to poor young people.

The poverty programs that Greenstein tries to defend were a very small part of what I call the "reform period" that began to affect social policy in the early 1960s. These reforms, which suffused the workings of education, law enforcement, public assistance, and income support programs, fundamentally altered the world in which a poor person grew up. I spend three chapters describing the nature of these changes, saying as clearly as I can that we must escape stereotypes of welfare mothers and lazy street people. The reality is much more complicated, and it is wrong to think that any one of the reforms can be identified as the demon.

Out of the lengthy and multifaceted development of this argument, Greenstein chose to pick a portion of one chapter, ignoring everything else. Then he recast my argument to fit precisely the stereotypes I was trying to discredit. In the militant apologia, this is standard technique. To make his case, he has to portray Murray as obsessed with the size of the welfare check, and obsessed with proving that all of the poverty programs failed.

Thus he begins his critique with the story of Harold and Phyllis, a poor couple, unmarried, who have just gotten out of high school. My thesis is that, in the 1960s, welfare benefits and eligibility rules changed so dramatically that the total package altered the nature of "what makes sense" for a poor young woman (Phyllis) with no job skills who found herself to be pregnant.

The change in Phyllis's situation is a fact, and it makes no difference whether the state is Pennsylvania (where I set the parable), or Wyoming, or Texas, or Alabama. In 1960 Phyllis got only Aid to Families with Dependent Children, could not live with the father of the child or any other man, could not supplement her income with a job. In 1970 she could get AFDC, Medicaid, food stamps, a miscellany of other new services and resources, and possibly a free apartment of her own. She could supplement her income with a job. And she could live with a man without losing her benefits. These changes fundamentally altered her options.

Greenstein ignores the changes in eligibility rules, which are central to my argument. Instead he attacks the numbers, beginning with a statement for which there is no basis (unless he mistakenly compared an orange on page 164 of *Losing Ground* with an apple on page 159) that welfare benefits increased twice as much in Pennsylvania as in the rest of the country. Whatever the reason, he is wrong. Far from exaggerating the dollar size of the package in 1970, or the rate of increase from 1960, I had deliberately *under*estimated the size of the 1970 Pennsylvania package precisely to avoid any possible challenge on those grounds. I valued Medicaid far below any of the commonly used figures. I left out the value of food supplements, school lunches, and other services. I did not include housing allowances, perhaps the most highly valued part of the package for a young woman who wants to get away from home. For Pennsylvania I assigned a dollar value of $134 per week (expressed in 1980 dollars) as Phyllis's package in 1970.

A few years ago the General Accounting Office computed the value of the same welfare package, including the elements I omitted. The results in a generous location, San Francisco, worked out to a weekly total of $200. In a penurious location, New Orleans, the weekly total was $149—both higher than my $134. And the GAO was calculating 1979 totals when, as Greenstein emphasizes, real benefits had fallen about 20 percent from their 1970 purchasing power. My parable began with a 1960 package that was slightly higher than the national average and compared it with a 1970 package that was considerably below it.

Next Greenstein writes, "Murray's argument loses even more force when it's applied to the years after 1970." Wrong again. It gains force. As I noted in the book, there were no new incentives in the early 1970s and even a new disincentive (child support regulations were tightened) in 1974. Increases in the caseload should have slowed and eventually stabilized in the 1970s, as in fact they did. The history of the AFDC caseload tracks with *Losing Ground*'s thesis, right up to the most recent figures.

Greenstein's other objection to the parable is that taking a minimum-wage job was more profitable than welfare "in most parts of the country" by 1970, and much more so by 1980. Here he ducks *Losing Ground*'s point. The most advantageous of all situations is for Phyllis to live with Harold without getting married. If he is employed, so much the better, but by remaining single she does not have to depend on that or rely on the man's future behavior.

This raises broader questions about "causes." Greenstein says income support programs kept poverty from growing in the 1970s. If these programs had not been there, he says, things would have been much worse. He argues that the United States was heading toward a catastrophe in the 1970s that was averted only by our foresight in enacting the income support programs during the 1960s boom.

This ex post facto rationale is a legitimate position (though I do not agree with it), but its advocates must make their assumptions explicit. One assumption is that the progress against poverty that began long before 1965 was a historical fluke, not a reflection of a fundamentally sound system that, left alone, would have continued to work. It is assumed that progress against poverty among working-age people was fated to end in the late 1960s. Without the income support programs, Greenstein's argument necessarily implies that poverty among working-age people in the 1970s would have risen on an order rivaling the increases seen in the Great Depression. A second assumption is that the factors increasing poverty within this group were unaffected by social policy. Single-parent families among the poor were fated to mushroom. Labor force participation among black youth was fated to plummet.

This second assumption is known to be wrong. Labor economists do not deny that a substantial causal relationship exists between the level of welfare benefits (or unemployment insurance, for that matter) and employment behavior. Nor do sociologists who specialize in family studies deny that a similar relationship exists between such benefits and marital dissolution. The results of the negative income tax experiment plus a large research literature, fully summarized in the book, document those relationships beyond serious scholarly dispute. Greenstein tiptoed around those land mines in his indictment of my deceptive and slipshod scholarship.

But I am not satisfied with the state of knowledge in these areas. Specifically, I am unhappy with the monopoly that econometric methods seem to have established. What can fairly be said is that my theory of the causes—or, more precisely, the facilitators—of the trends in employment and single-parent families has not yet been subjected to a test anywhere, including *Losing Ground*. That theory takes for granted that the stereotypes are wrong: poor single women do *not* sit down with a calculator, figure up this year's benefit package, and get pregnant. Poor young men do *not* decide to live contentedly off the dole rather than do an honest day's work. Welfare had a role in changing behavior, but in combination with the many other aspects of the changed environment in which poor people lived, presented in those chapters that Greenstein didn't take on.

The Ellwood and Bane study on illegitimacy that Greenstein accuses me of ignoring appeared when *Losing Ground* was already in press. Let me discuss it now. The study examines the level of AFDC payments in different states, controls for a variety of demographic and economic variables, asks if the differences can explain differences in illegitimacy rates, finds they do not, and concludes that AFDC has no effect on illegitimacy. Fine—except suppose that the process is a bit more complicated. Suppose that it really doesn't make much difference if the total for the welfare package is New Orleans's $149 per week or San Francisco's $200. Suppose that $51 in additional income does not expedite $51 worth of additional fertility behavior—as anyone with common sense is likely to suspect. Ellwood and Bane are not refuting *Losing Ground*'s hypothesis, but that of an anti-welfare stereotype that *Losing Ground* rejects. Similarly, Greenstein cites John Cogan's work on the role of agriculture in explaining changes in black employment, and asserts that his conclusions "specifically refute Murray's hypothesis." He must assume that most readers haven't read Cogan or Murray or both. His work is *irrelevant* to my hypothesis, as John Cogan will confirm.

Where do we go from here? The hypothesis that I want to see tested is that many different changes in "the rules of the game" (of which welfare is one small part) interacted with changes in status rewards brought on by these reforms to cause changes in the behavior of poor people, especially young poor people. It is not so hard to conduct such a test, but it will require us to start listening to those we wish to help—not armed with a clipboard and a set of multiple-choice questionnaire items, but with curiosity and patience, as Ken Auletta did in *The Underclass*, George Gilder in *Visible Man*, John Langston Gwaltney in *Drylongso*, and Elliot Liebow in *Tally's Corner*. Along with our structural equation models we must listen to the chronically unemployed youth, the welfare mother, the drug addict, the criminal. But we must also listen to the employers of low-skilled help, neighbors who are doing fine themselves but are observing the problems around them, pediatricians in hospitals serving poor populations, social service workers, police, and teachers. And we should, as Greenstein adjures, talk to them with as few hidden agendas as we can manage.

In short, we must put aside the defensive maneuverings that have sheltered inadequate and ineffectual programs while the position of the poor has steadily eroded. Surely we need not restrict our options to nothing or more of the same. *Losing Ground* is not a call to the barricades for the radical right, and it is not an assault on our commitment to help the poor. It is a call to try to do better.

CHARLES MURRAY

CONSERVATIVES who lionize Charles Murray and seek the dismemberment of the welfare state will be surprised to read Murray's claim above that *Losing Ground* does not "grade the performance of the Great Society," does not say that the poverty programs failed, and does not call for any particular shrinkage of the safety net. So will most readers of Murray's book. On page 227 of *Losing Ground*, Murray states that his "proposed program . . . consists of scrapping the entire federal welfare and income-support structure for working-aged persons, including AFDC, Medicaid, Food Stamps, . . . Worker's Compensation, subsidized housing, disability insurance and the rest." The book is replete with characterizations of the poverty programs—and the Great Society—as failures.

Now Murray seems to back down. He no longer claims that the programs failed. Faced with powerful evidence of the positive effects of key benefit programs, Murray lamely replies that advocates have accumulated packets of proof program by program while ignoring the larger picture of deteriorating conditions for the poor. Yet the most decisive evidence is precisely of the "larger picture" variety—the extraordinary declines in elderly and infant mortality, especially among blacks; the narrowing of the nutritional gap between the poor and the rest of the society; the sharp declines since the 1960s in the number of malnourished children. The failure of *Losing Ground* to acknowledge such evidence remains a serious shortcoming.

Murray also distances himself from his book with his latest statement that poverty programs were only "a very small part" of the changes in the 1960s that contributed to the social trends he deplores. Readers of *Losing Ground* would never guess that Murray thinks this is a small issue. Most reviewers and most of Murray's defenders on the right have found his attack on the welfare state to the core of his book, and it is this aspect of *Losing Ground* on which I focused. Indeed, it is Murray, not I, who now recasts the argument of his book. Are the poverty programs a major factor or a small issue? Did they fail or not? Should they be abolished or carefully studied and made to work better? Will the real Charles Murray please stand up?

Murray also runs into trouble when he tried to defend his use of the data, especially in his Harold and Phyllis parable. His selective use of welfare benefits for Pennsylvania as though it were a typical state remains inexcusable. Contrary to Murray's claims, data compiled by the Congressional Research Service show that AFDC benefits did rise more than twice as much in Pennsylvania from 1960 to 1970 as in the typical state, meaning that he used data from a highly unrepresentative state to build his case. Nor does he convincingly show that he understated his case by undervaluing Medicaid and other benefits Harold and Phyllis could receive. In valuing Medicaid, Murray used one of the standard methods employed by the Census Bureau. Moreover, even if higher Medicaid values are used, the family budgets for Harold and Phyllis still disprove his claims when properly computed.

In addition, Murray's point that he did not include the value of school lunches and other benefits in Harold and Phyllis's budget is irrelevant. *Losing Ground* tries to show that Harold and Phyllis are better off unmarried than married, on welfare than at work. Those benefits that Murray left out of his computation (but which the General Accounting Office included) are available to legitimate and illegitimate children, to welfare families and to working families. Including them in the family budgets does not bolster Murray's claim that welfare is more attractive than work or illegitimacy more rewarding than marriage.

Most egregious, however, is Murray's contention that the welfare trends of the 1970s support him. Here again his article says something quite different from the book. In the article he observes that in the 1970s, when welfare eligibility was not broadened and when welfare benefits fell, AFDC caseloads stopped growing. Yet this decisively *refutes* the book's thesis. The book argues that liberalized welfare eligibility and benefits after 1960 led to declines in black employment and increases in female-headed households. If this contention were true, then the rise in unemployment and female-headed households should have halted or appreciably slowed in the 1970s, when welfare benefits were cut and the welfare rolls stopped growing. This did not occur. Unemployment and illegitimacy *increased* while welfare decreased. This may be why Murray never acknowledges in the book that AFDC benefits fell or that caseloads stopped growing in these years.

As for the economy, my article cited data showing that economic stagnation—not poverty programs—was the principal reason the poverty rate failed to drop much during the 1970s. Murray responds with wild charges. He says I imply that without benefit programs, the United States was headed in the 1970s toward a Depression-like catastrophe, and that I see the decline in poverty before 1965 as an historical fluke. Of course, I believe no such thing. As my article said, poverty among the non-elderly dropped before 1965 principally because real wages and productivity were rising and unemployment was declining, trends that were reversed in the 1970s. *Losing Ground* acknowledges the strong impact of economic factors on poverty rates only when the economy is healthy and poverty is falling—but fails to acknowledge this impact when the economy stagnates and poverty increases. When this occurs, social programs and policies get the blame.

Finally, Murray again misrepresents research findings. The negative income tax experiments he cites show that a radically redesigned income maintenance system that was being tested—and *not* our current welfare system—had work disincentive effects. The research literature shows that the impact of the current welfare system on work behavior is small. In addition, the impressive Ellwood and Bane research showing no link between welfare and illegitimacy is far more sophisticated and convincing than Murray portrays it. This is why many scholars have concluded that it severely damages Murray's case.

One final point. I am saddened by Murray's charge that I "ignore the intolerable reality that scholars of all ideological stripes should be working to change." My article emphasized the rise in black unemployment and in female-headed households, and called for new approaches to these problems. Where I take issue with *Losing Ground* is in its misuse of data to picture social programs as a major cause of these problems—and its urging that these programs be abandoned.

ROBERT GREENSTEIN

"POVERTY, HUNGER AND THE WELFARE SYSTEM"

	1965	1970	1975	1979	1984
POVERTY THRESHOLDS (1)					
Family of Four	$3,198	$3,944	$5,469	$7,386	$10,609
POVERTY RATE					
Total	17.3%	12.6%	12.3%	11.7%	14.4%
Black	----	33.5%	31.3%	31.0%	33.8%
White	13.3%	9.9%	9.7%	9.0%	11.5%
Children Under Age 18	20.7%	14.9%	16.8%	16.0%	21.0%
Black	-----	41.5%	41.4%	40.8%	46.2%
White	14.4%	10.5%	12.5%	11.4%	16.1%
Female Headed Households	46.0%	38.2%	34.6%	32.0%	34.0%
Black	-----	58.8%	53.8%	52.2%	52.9%
White	38.5%	31.4%	28.1%	24.9%	27.3%
UNEMPLOYMENT (2) (In Ratio to Civilian Work Force)					
Total	4.5%	4.9%	8.5%	5.8%	7.4%
Males Age 20 and Older	3.2%	3.5%	6.8%	4.2%	6.6%
White	2.9%	3.2%	6.2%	3.6%	5.7%
Black	----	----	12.2%	10.9%	13.5%
Women Age 20 and Older	4.5%	4.8%	8.0%	5.0%	6.8%
White	3.3%	4.4%	7.5%	5.0%	5.8%
Black	----	----	12.2%	10.9%	13.5%
Women Maintaining Families	5.1%	5.6%	10.1%	8.7%	11.3%
White	4.1%	----	8.7%	7.1%	8.9%
Black	----	----	13.9%	12.9%	18.0%

	1965	1970	1975	1979	1984
EMPLOYMENT (2) Ratio to Population)					
Total Males	81.2%	79.7%	74.8%	76.5%	73.2%
White	81.5%	80.1%	75.7%	77.3%	74.3%
Black	-----	-----	66.5%	69.1%	64.1%
Total Youth	38.9%	42.3%	43.3%	48.5%	43.7%
White	40.3%	44.5%	46.5%	52.6%	48.0%
Black	-----	-----	23.1%	25.4%	21.9%
Total Females	37.6%	41.2%	42.3%	47.7%	50.1%
White	57.8%	40.4%	41.9%	47.3%	50.0%
Black	-----	-----	44.9%	49.3%	49.8%

	1965	1970	1975	1979	1981-83
INFANT MORTALITY (3)					
Total	24.7	20.0	16.1	13.1	11.6
Black	41.7	32.6	26.2	21.8	19.6
White	21.5	17.8	14.2	11.4	10.1

	1969-71	1971-73	1974-76	1979-81	1981-83
LOW BIRTHWEIGHT					
Total	7.9	7.6	7.4	6.9	6.8
Black	13.8	13.4	13.1	12.5	12.5
White	6.8	6.5	6.2	5.7	5.7

(1) U.S. Bureau of the Census
(2) Bureau of Labor Statistics
(3) National Center for Health Statistics

CHRONOLOGY OF MAJOR ASSISTANCE PROGRAMS

1935 - AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)

The Aid to Families with Dependent Children Program is the largest form of Federal assistance to low-income children and their caretakers. Originally known as Aid to Dependent Children, the program was established by the Social Security Act of 1935, to enable States to provide cash grants to aid needy children who were deprived of support or care because their fathers were absent from home continuously, deceased, incapacitated, or unemployed; or their mothers were incapacitated absent, dead or unemployed. In 1950, benefits were extended to the mothers and other caretakers as well as children. In 1962, the Program was renamed Aid to Families with Dependent Children under the objective of providing services to help whole family units achieve self-suffciency. Individual States are authorized to determine program need standards, establish benefit levels and income and resource limits. The Federal government pays at least 50 percent of the benefits provided by each State. All States currently provide benefits to children whose fathers are absent from the home; 26 jurisdictions offer grants to two-parent families who are needy as a result of the unemployment of the principal wage earner (AFDC-UP). Federal law requires that certain able-bodied recipients register for work or job training. States may require work registrants to participate in one of several work programs: Work Incentive (WIN) Program; Community Work Experience Program (CWEP); Work Supplementation, or Job Search. In January, 1986, the maximum benefit for a family of three ranged from $118 per month in Alabama to $740 per month in Alaska.

	1965	1970	1975	1979	1984 (4)
Average Monthly Participation (In Millions)	4.329	7.429	11.067	10.311	10.868
Average Monthly Benefit	$32	$46	$63	$87	$110
Federal Cost (In Billions)	$1.986	$2.759	$5.177	$6.508	$8.583

(4) U.S. Department of Health and Human Services

1972 - SUPPLEMENTAL SECURITY INCOME (SSI)

The Supplemental Security Income Program was enacted as part of the Social Security Act Amendments of 1972. This program transformed the system of Federal grants to States for the provision of separate assistance programs to the elderly, to the blind, and to the permanently disabled, into a single, federally-administered program with uniform nationwide eligibility requirements. The program began operation in 1974. Benefits, designed to provide a minimum income floor, are made available to persons age 65 and older; persons who are legally blind; and persons who are disabled to the extent that they are unable to engage in any substantial gainful activity resulting from a medically determined physical or mental impairment expected to result in death or has lasted or can be expected to last for a continuous period 12 months (the disability criteria pertains to persons under age 18 as well).

	1965	1970	1975	1979	1984 (5)
Average Monthly Participation (In Millions)	-----	-----	4.313	4.220	4.093
Average Benefit Per Person	-----	-----	$114.39	$155.65	$219.00
Average Benefit Per Couple	-----	-----	$111.00	$145.96	$240.26
Federal Cost (In Millions)	------	-----	$4,359	$5,279	$8,281

(5) Social Security Administration

1964 - FOOD STAMP PROGRAM

The idea for the Food Stamp Program, through which vouchers are exchanged for food, was conceived during the 1930's and was revived as a pilot project in 1961. The Food Stamp Act of 1964 established the Food Stamp Program as a permanent program and authorized expansion to all states wishing to take part. Ultimately, in 1977, with the enactment of a revised, more comprehensive bill to augment the fight against hunger, the Program assumed the universal role of meeting the basic nutritional needs of low-income households. Food stamp benefits are based on the Thrifty Food Plan--the least costly of four U.S. Department of Agriculture food plans--which is adjusted for household size; in some instances, geographic location; and indexed periodically for changes in food prices. The Program provides 100 percent Federal funding for food stamp benefits and between 50 and 60 percent of most State and local administrative expenses. The Program imposes three major tests for eligibility: income limits, an assets limitation, and work registration and job search requirements.

	1965	1970	1975	1979	1984 (6)
Average Monthly Participation (In Millions)	.425	4.430	17.1*	17.7**	22.4***
Average Monthly Benefit	$6.38	$10.55	$21.42	$30.59	$42.74
Federal Cost (In Billions)	$.351	$.576	$4.624	$6.995	$12.470***

* First fiscal year in which food stamps were available nationwide
** Elimination of purchase requirement
*** Includes Puerto Rico's Nutrition Assistance Program

1972 - SUPPLEMENTAL FOOD ASSISTANCE PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)

In 1972, Congress approved the Special Supplemental Food Assistance Program for Women, Infants, and Children. Initially conceived as a two-year pilot project, the program combined the distribution of monthly packages of USDA-purchased commodities with health screening and nutrition education services to low-income infants, children to the age of five, pregnant women, non-nursing mothers up to six months after childbirth and nursing mothers up to one year after childbirth who are certified to be at "nutritional risk." The WIC Program is unique among Federal food assistance programs in that it is designed to operate as an adjunct to good health care. Although local WIC agencies are not required to make health care available to participants, each must ensure that clients have access to an appropriate health care agency or provider. WIC services are restricted by the amount of funding made available each year by Congress.

	1965	1970	1975	1979	1984
Average Monthly Participation (In Millions)	-----	------	.344	1.482	3.00
Federal Cost (In Billions)	-----	-----	.091	$.707	$1.36

CHILD NUTRITION PROGRAMS

Large numbers of young men undergoing physical examinations for induction into miliary service during World War II were found to suffer from nutrition-related health deficiencies. This indicator of widespread malnutrition prompted the Congress, in 1946, to enact the National School Lunch Program to improve the nutritional status of school-age children. From inception, the goal of this program has been to encourage the consumption of nutritious meals by all children regardless of their economic status; however, to facilitate the assurance that poor children reap the nutritional benefits of the program, the law required that free or reduced-price meals be made available to children from families with annual incomes less than 185 percent of the poverty level.

Since 1946, a number of supplementary child nutrition programs have been established. The Child Nutrition Act of 1966, which incorporated a number of these programs pursued the goal of alleviating existing and preventing possible malnutrition among children. Additional nutrition services established through this legislation include: the School Breakfast Program, which offers a balanced morning meal primarily to children residing in low-income areas; the Commodity Supplemental Food Program, which provides special food service for pregnant women, infants, and children; the Child Care Food Program, which promotes the provision of nutritious meals to children participating in day care programs; and the Summer Food Program, which provides nutritious lunches to children during non-school months.

(6) U.S. Department of Agriculture

SPECIAL DEMOGRAPHIC ANALYSES

CDS-80-7

Changing Family Composition and Income Differentials

U.S. Department of Commerce
BUREAU OF THE CENSUS

**SPECIAL
DEMOGRAPHIC
ANALYSES**

CDS-80-7

Changing Family Composition and Income Differentials

Gordon Green
and
Edward Welniak

Issued August 1982

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Preface

This study is another in a series of analytic publications from the Census Bureau's Center for Demographic Studies. The purpose of these publications is to provide perspective on important demographic and socioeconomic trends and patterns. Most bring together data from several sources and attempt to enhance the use of Census Bureau data by pointing out the relevance of the statistics for current and prospective policy issues. A distinguishing feature of the studies is the inclusion of interpretative analyses and hypotheses offered by the authors as an aid in identifying the reasons underlying changes.

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Parts of this work were originally presented at the 1980 annual meeting of the Population Association of America.

INTRODUCTION

Strong economic growth and low unemployment were instrumental in improving the economic position of disadvantaged groups in the 1960's. In addition, in the latter part of the 1960's, various programs were initiated to create job opportunities for minorities and reduce discrimination in the labor market.[1] Between 1959 and 1969, the ratio of Black to White median family income increased from .52 to .61[2] and the Black-White median income ratio for persons increased from .50 to .68.[3] When the data are disaggregated by specific income-related characteristics, such as age, education, occupation, and work experience, the same general impression of a narrowing income gap between Black and White persons is maintained, or in some cases, enhanced.[4]

While the 1970's were years of continued effort by the Federal Government to provide job opportunities for minorities and eliminate job discrimination, only some income measures reflect the outcome of these efforts. For example, the ratio of Black to White median income for persons continued to increase from .67 in 1970 to .71 in 1980, but the ratio of Black to White median family income displayed erratic movement during this period; the income ratio for families was .61 in 1970, declined to .58 in 1973, rose to .62 in 1975, and fell to .58 in 1980. Although some analysts have argued that family income statistics should not be used to measure market discrimination because they are affected by compositional changes (see Freeman, 1978), the ratio of Black to White median family income is generally regarded as a significant barometer of Black economic progress. During the 1970's, the ratio of Black to White median family income increased for specific types of families, such as husband-wife families, but declined for all families combined. This largely reflected profound changes in family composition that affected Blacks to a greater extent than Whites.

This paper seeks to measure the effect of changes in family composition on income levels for both Black and White families. The first section traces the various changes in family composition which have occurred among these families, such as a decline in the proportion of traditional husband-wife families and the corresponding increase in families maintained by women with no husband present. These changes have profoundly affected family income levels. For the first time since family income statistics have been compiled from the March Current Population Survey (CPS), data for the 1970's show that a smaller proportion of Black families than White families were husband-wife families with working wives. Concomitantly, the average number of earners for Black families was below that for White families with the attendant effect on the overall ratio of Black to White median family income. In the second section, a technique is presented which provides hypothetical estimates of the effect of changes in family composition on income levels. This technique involves the creation of a data file from the March CPS with income levels for 1980 and demographic characteristics for March 1971.[5] The third section discusses the tabulation of summary income statistics from this file that, when compared with published estimates, enables us to estimate the effect of changes in family composition on income and poverty levels.

I. CHANGES IN FAMILY COMPOSITION DURING THE 1970'S

Changes in family composition for Whites and Blacks are reflected in data on family type and number of earners. Income data and demographic distributions for March 1971 and March 1981 are shown in table 1, and figures 1 through 5 depict changing family relationships over the entire period. Most of the comparisons are restricted to the beginning and end of the last decade, so the figures provide a perspective on the trends that occurred during that time. All of the estimates presented in this section were compiled from March CPS data.

The increasing prevalence of working wives has received much attention in the media as well as in academic literature.[6] As shown in figure 1, the proportion of husband-wife families with working wives increased for both Blacks and Whites, with the proportion remaining higher for Black families than for White families. The trend for Blacks appears to be more erratic than that for Whites, partially because there is more sampling variability associated with the estimates for Blacks, since there are fewer sample observations. It is significant, however, that Blacks experienced a large increase in the number of families with working wives between March 1974 and March 1976, since there was a very severe recession during the early part of this period. Some researchers have suggested that Black unemployment tends to worsen relative to White unemployment during a recession because Blacks are more likely to have vulnerable jobs. The influx of wives into the labor force during a recessionary period may be an attempt to compensate for losses in family incomes. The increase in husband-wife families with working wives is a trend which could be expected to increase the overall income of both Black and White families, since they

Table 1. Percent Distribution and Median Income in 1970 and 1980 for Families, by Type of Family, Number of Earners, and Race of Householder

(Income in 1980 dollars. Families as of March of the following year)

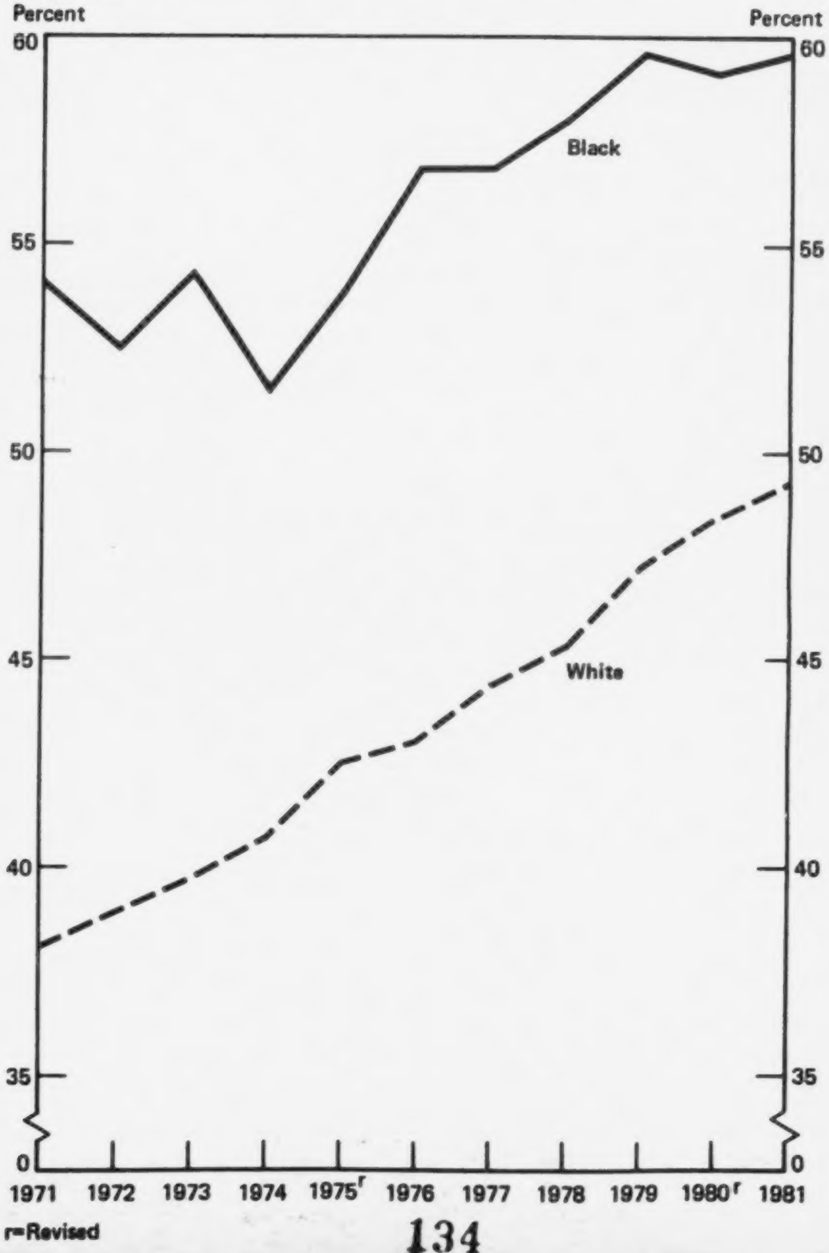
Type of family and number of earners	Percent distribution				Median family income					
	White		Black		White		Black		Ratio: Black to White	
	1980	1970	1980	1970	1980	1970	1980	1970	1980	1970
All families..........thousands..	52,710	46,535	6,317	4,928	(X)	(X)	(X)	(X)	(X)	(X)
TYPE OF FAMILY										
Total............................	100.0	100.0	100.0	100.0	$21,904	$21,722	$12,674	$13.325	0.58	0.61
Husband-wife families..................	85.1	88.3	53.7	65.6	23,501	22,755	18,593	16,587	0.79	0.73
Wife in paid labor force.............	42.0	33.6	32.0	35.5	27,238	26,617	22,795	20,629	0.84	0.78
Wife not in paid labor force..........	43.1	54.7	21.7	30.2	19,430	20,226	12,419	12,650	0.64	0.63
Male householder, no wife present......	3.0	2.3	4.6	3.8	18,731	20,211	12,557	14,327	0.67	0.71
Female householder, no husband present.	11.9	9.4	41.7	30.6	11,908	12,211	7,425	7,589	0.62	0.62
Average size of family................	3.20	3.52	3.66	4.26	(X)	(X)	(X)	(X)	(X)	(X)
NUMBER OF EARNERS[1]										
Total............................	100.0	100.0	100.0	100.0	21,949	21,722	12,662	13,325	0.58	0.61
No earners and one earner..............	43.6	46.1	54.6	45.4	14,847	16,308	7,578	8,020	0.51	0.49
No earners...........................	12.9	8.7	19.0	11.9	9,584	7,404	4,743	4,743	0.49	0.64
One earner...........................	30.7	37.4	35.6	33.5	17,869	18,490	10,271	10,279	0.57	0.56
Two earners or more....................	56.4	53.8	45.4	54.5	27,155	26,282	21,554	18,855	0.79	0.72
Two earners..........................	42.2	39.3	34.4	40.4	25,108	24,298	20,360	17,889	0.81	0.74
Three earners........................	9.6	10.1	7.5	9.3	32,522	31,396	23,835	21,221	0.73	0.68
Four earners or more.................	4.6	4.4	3.6	4.8	40,416	36,736	30,985	23,581	0.77	0.64
Average number of earners per family...	1.66	1.68	1.48	1.67	(X)	(X)	(X)	(X)	(X)	(X)

X Not applicable.

[1] For the year 1980. Excludes families with members in the Armed Forces.

FIGURE 1.

Married-Couple Families With Wives in the Paid Labor Force as a Percent of All Married-Couple Families, by Race of Householder: March 1971 to March 1981



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tend to have relatively high incomes. (See table 1.) However, it should be noted that money income tends to overstate the increase in family economic status when wives enter the labor market because the value of housework is not measured.

While the proportion of working wives has increased, the proportion of husband-wife families for both Blacks and Whites has declined. As shown in figure 2, the proportion of White husband-wife families declined slightly from 88 percent in March 1971 to 85 percent in March 1981, whereas the decline for Black husband-wife families during the same period was much more pronounced--from 66 to 54 percent. In contrast, from March 1971 to March 1981, families maintained by women increased from 31 to 42 percent for Blacks and from 9 to 12 percent for Whites.

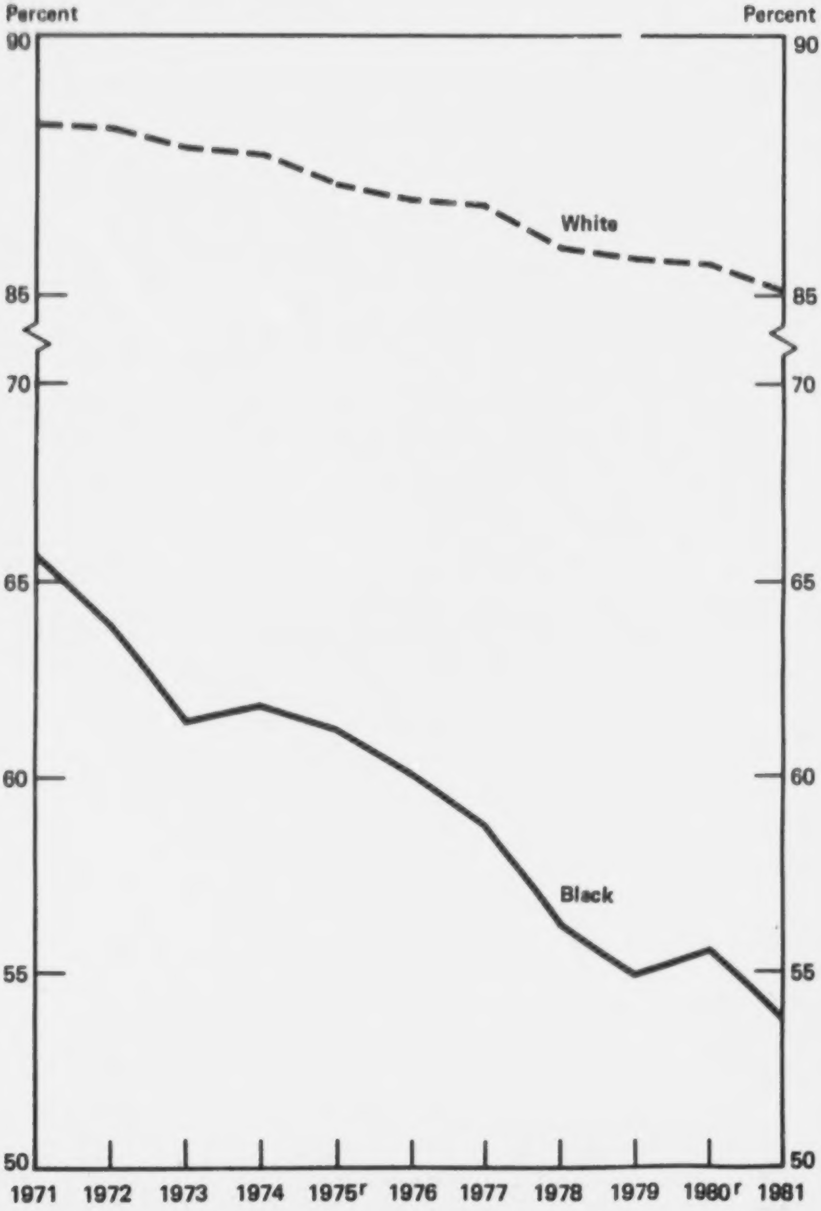
Changes in the type of family for both Blacks and Whites are reflected in statistics on marital status from the March CPS which show that Blacks are much more likely to experience divorce and separation than Whites. The number of divorces per 1,000 persons married with spouse present increased for Blacks from 92 in March 1971 to 233 in March 1981; for Whites, the comparable increase was from 48 to 100. The number of separated persons per 1,000 married persons with spouse present increased for Blacks from 172 in March 1971 to 225 in March 1981; the comparable increase for Whites was from 21 to 29.

Another social factor contributing to the formation of families maintained by women is the number of children born to single (never-married) women. Among such families, in which the women are generally younger, the rate of increase has been faster from March 1971 to March 1981 than for all families maintained by women. This holds for both Blacks and Whites, and is largely reflected in the statistics on births to unmarried women. For Whites, the percentage of births to unmarried women went from 6 percent in 1971 to about 9 percent in 1979; the comparable percentages for Blacks were 41 and 55 percent.[7] Black single (never-married) women constituted 20 percent of Black families maintained by women in March 1971 and 27 percent in March 1981; corresponding percentages for Whites were 9 and 12 percent.

With the increase in divorced and separated women, and unwed mothers, the proportion of widowed women has declined for both Black and White families maintained by women. Widowed women accounted for 30 percent of all White families maintained by women in March 1981, down from 44 percent in March 1971. For Blacks, the percentages were 21 percent and 25 percent, respectively.

These changes in family composition have had a pronounced effect on family income levels. They have tended to depress family income levels for Blacks to a greater extent than for Whites, since families maintained by women tend to

FIGURE 2.
Married-Couple Families as a Percent of All Families, by Race of Householder: March 1971 to March 1981



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have lower incomes than families maintained by men. (See table 1.)

For Blacks, the large decline in the proportion of husband-wife families has resulted in their having a smaller percentage of all families with working wives than White families. As shown in figure 3, a higher percentage of all Black families had working wives than did White families in March 1971. (This was also the case for previous years not shown.) However, by March 1972, this situation had reversed, and by March 1981, 42 percent of all White families had working wives, compared with only 32 percent for Black families. These changes are very important in determining overall family income levels, since families with working wives tend to be a relatively high income group for both Blacks and Whites. This can be seen from figure 4, which shows that the ratio of Black to White median family income tends to parallel movements in the proportion of families with working wives (figure 3).

When the data are disaggregated by type of family and number of earners, it appears that changes in family composition have had an important effect on income levels. For example, table 1 shows that the ratio of Black to White median income increased for most specific types of families between 1970 and 1980, even though it showed a decline for all families combined. Changes in family composition have also lowered the proportion of Black families with multiple earners below that for White families. As shown in figure 5, a larger proportion of Black families than White families had multiple earners in March 1971, which was also the case for previous years. (In March 1968, the earliest year for which data are available, the proportions were 58 percent for Blacks and 52 percent for Whites.) In March 1972, this relationship reversed, and the proportion for Blacks fell substantially below that for Whites. These changes are summarized by the average number of earners per family: 1.67 and 1.68 for Blacks and Whites, respectively, in March 1971, and 1.48 and 1.66 for Blacks and Whites, respectively, in March 1981.

II. A TECHNIQUE FOR STANDARDIZING CHANGES IN FAMILY COMPOSITION

In this section, a technique is presented which can be used to estimate the effects of changes in family composition on the relative and absolute income levels of Black and White families. This technique enables the calculation of hypothetical 1980 income levels based on the demographic composition of the population as it existed in March 1971; that is, the same distribution by age groups and family relationships. The effect of these standardizations on changes in income

FIGURE 3.

Married-Couple Families With Wives in the Paid Labor Force as a Percent of All Families, by Race of Householder: March 1971 to March 1981

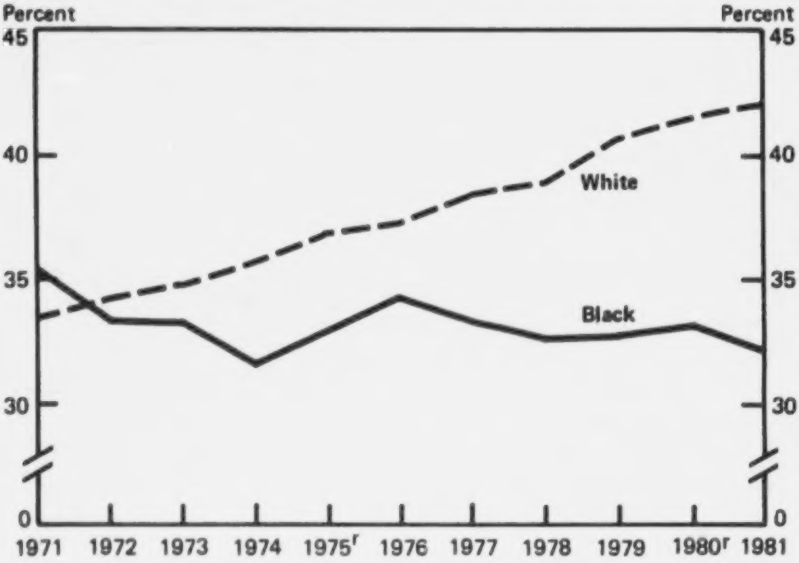

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FIGURE 4.

Black Median Family Income as a Percent of White Median Family Income: 1970 to 1980

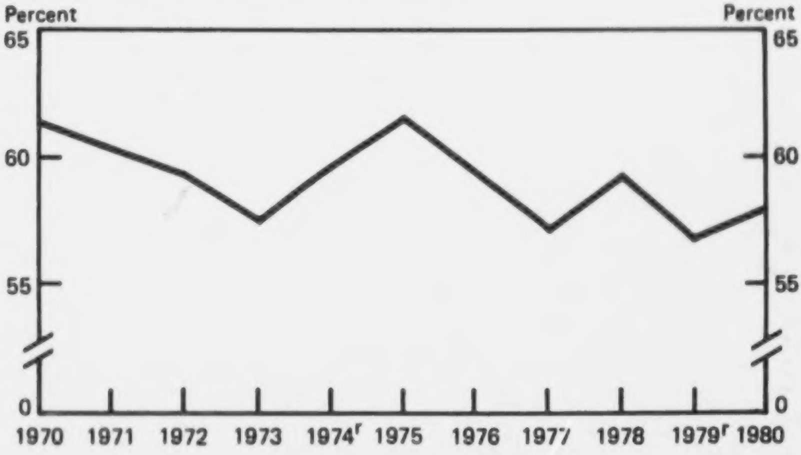

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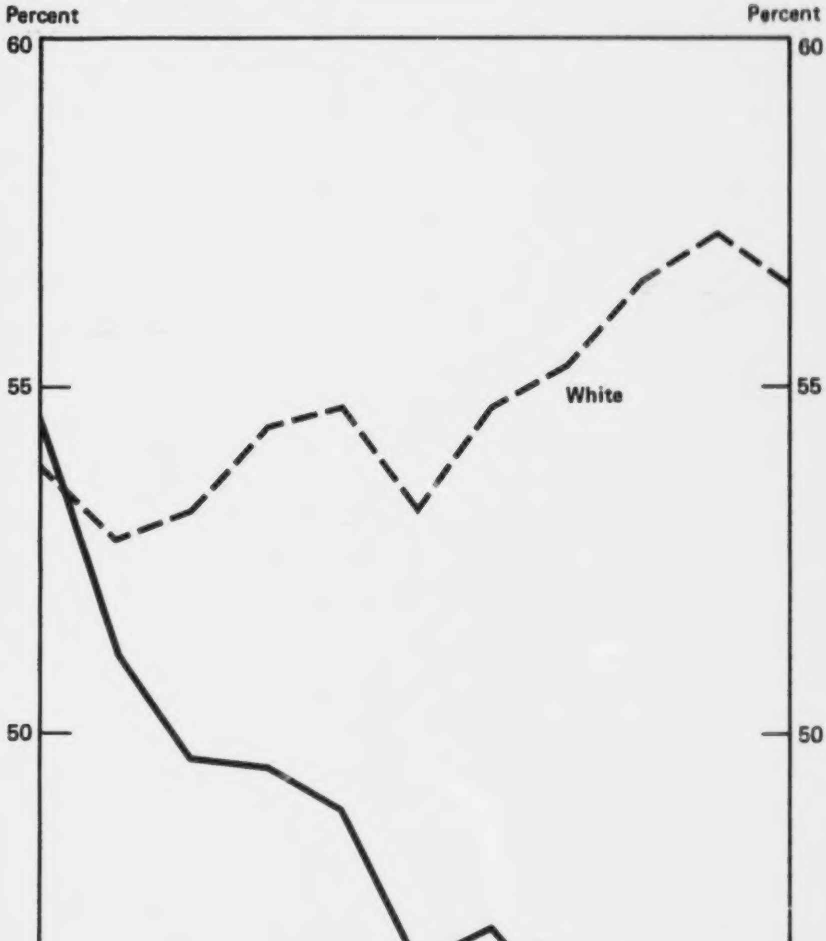
FIGURE 5.

Families With Multiple Earners as a Percent of All Families, by Race of Householder: March 1971 to March 1981



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for Black and White families between 1970 and 1980 is shown for several different demographic characteristics.

The traditional approach used to standardize income data is to weight summary income statistics for specific types of families in the survey year by distributions of the population from an earlier year. This is similar to using a Laspeyres index with base period weights and current year incomes. Although this approach can be quickly employed to determine the effect of a few variables, lengthy calculations are required to adjust for a number of characteristics. Moreover, the approach is really mathematically suitable only for mean incomes, although a variation of the approach has been used by some authors on median incomes (Gwartney, 1970).

The standardization technique presented in this paper can be used to adjust for a broad variety of characteristics simultaneously. The result is a computer file with 1980 incomes and March 1971 demographic characteristics. An advantage of this approach is that tabulations can be produced from existing computer programs, and a broad range of statistics can be compiled. The standardizations are based on a matrix containing 702 cells, with various categories of family relationship, age, race, and sex cross-classified with each other. (Details of the approach can be found in the appendix.) These variables were selected because of the dramatic changes in family composition experienced by persons in particular age and race groups. Separate matrices were prepared for the March 1971 and March 1981 CPS, and the proportion of persons occupying each cell was determined for each year. The 1971 matrix was divided by the 1981 matrix to develop adjustment factors for each cell. The March 1981 file was passed again, and the appropriate adjustment factors were multiplied by the sample weight for each person, according to the cell in which the characteristics of that person were located. No adjustment was made to the income data reported in the March 1981 CPS. This procedure resulted in a computer file having 1980 income levels and March 1971 demographic characteristics. No attempt was made to reweight this file to national age, race, and sex controls, as is customarily done in the CPS, since this would have counteracted the intent of the adjustment process.

This standardization technique is essentially a static approach which has some limitations. Changes in family composition and other demographic factors which affect economic variables, such as work experience, are reflected in the estimates, since the 1980 income amounts reported in the March 1981 CPS have not been altered. However, by assuming that the demographic characteristics of families were the same as in March 1971, it is being implicitly assumed that this reshuffling of families has no impact on wage rates and employment levels in the labor market. Decisions to marry, divorce, have children, or work are not independent of income influences. However, this methodology does not permit us to measure the behavioral or causal effect of income variables on family composition. These limitations will exist with any static approach which does not consider the interactions between changes in demographic and economic variables.

III. EFFECTS OF CHANGES IN FAMILY COMPOSITION ON INCOME LEVELS

The effects of the standardization procedure are shown in table 2, which contains income data for families by geographic location and race, and for persons by sex and race. For all families, the adjusted ratio of Black to White median family income is .66 in 1980, compared with the published ratio of .58. Thus, changes in family composition, age, etc., lowered the overall ratio by about 8 percentage points. The data shown in table 2 indicate that substantial changes in family composition occurred for Black families in nonmetropolitan and metropolitan areas, and in all four regions of the country. As expected, the adjusted income ratios by type of family were not very different from the published ratios. This resulted because the standardization procedure altered the mix of specific types of families (e.g., more husband-wife families) rather than the income position of these families. (See table 2.)

It has been observed in income data for males and females that differences in marital status are associated with differences in annual income after many other variables are held constant. On average, single men have lower annual incomes than married men with spouses present. The opposite is true for women: married women tend to have lower annual incomes than single women. The adjusted median income data for males and females shown in table 2 are consistent with these observations, except for Black women. For both Black and White men, the adjusted median incomes for 1980 tend to be higher than the published income data. An explanation is found in the standardization procedure which entailed substituting the 1971 person's distribution pattern for the 1981 pattern. Since there was a greater proportion of males in husband-wife families in 1971 than in 1981 and husbands have higher incomes on average than their single counterparts, higher adjusted median incomes than were published is the expected result. Also, the lower adjusted income for White women is explained in part by the fact that the adjustment procedure assigned proportionately more women as wives, spouse present, and fewer women to the single status category. As stated, the adjustment procedure for Black women

Table 2. Median Income in 1970 and 1980 for Families and Persons, by Race and Selected Characteristics

(Income in 1980 dollars)

Selected characteristics	White			Black			Ratio: Black to White		
	1980		1970	1980		1970	1980		1970
	Published	Adjusted		Published	Adjusted		Published	Adjusted	
Families									
All families	$21,904	$22,438	$21,722	$12,674	$14,830	$13,325	.58	.66	.61
Type of Residence									
Inside metropolitan areas	23,815	24,517	23,774	13,726	16,157	15,152	.58	.66	.64
1,000,000 or more	25,297	25,965	25,236	14,686	16,977	16,366	.58	.65	.65
Inside central cities	21,167	21,891	22,770	13,650	15,842	15,759	.64	.72	.69
Outside central cities	26,791	27,358	26,656	18,246	20,802	19,188	.68	.76	.72
Under 1,000,000	22,222	22,880	22,204	11,999	14,704	13,609	.54	.64	.61
Outside metropolitan areas	18,794	19,290	18,379	10,257	11,493	9,331	.55	.60	.51
Region									
Northeast	22,602	23,429	23,214	13,189	14,761	16,497	.58	.63	.71
North Central	22,314	22,826	22,299	14,044	16,827	16,378	.63	.74	.73
South	20,631	21,081	19,608	11,629	13,426	11,090	.56	.64	.57
West	22,615	23,327	22,032	17,135	19,733	16,979	.76	.85	.77
Type of Family									
Husband-wife families	23,501	23,663	22,755	18,393	19,142	16,587	.79	.81	.73
Wife in paid labor force	27,238	27,211	26,617	22,795	23,218	20,629	.84	.85	.78
Wife not in paid labor force	19,430	19,874	20,226	12,419	12,993	12,650	.64	.65	.63
Male householder, no wife present	18,731	19,148	20,211	12,557	11,467	14,327	.67	.60	.71
Female householder, no husband present	11,908	12,414	12,211	7,425	7,454	7,589	.62	.60	.62
Persons									
Male	13,328	13,692	14,878	8,009	8,683	8,822	.60	.63	.59
Female	4,947	4,519	4,809	4,580	4,557	4,378	.93	1.01	.91

did not yield much difference between published ($4,580) and adjusted ($4,557) median income estimates.

In general, the standardization procedure indicated that the changes in family composition which occurred during the 1970's increased the number of families below the poverty level and, consequently, the poverty rate. As shown in table 3, families with a female householder tend to have much higher poverty rates than their male counterparts. Since the adjustment procedure reduced the number of families maintained by women for March 1981, it correspondingly reduced the number of poor and the poverty rate for that year. Overall, changes in family composition have accounted for 2,017,000 additional poor families. The impact was very pronounced for Black families, since they experienced a much larger proportional increase in families maintained by women than White families. As shown in table 3, the adjusted poverty rate for Black families is 19.9 in 1980, or 9 percentage points lower than the published estimate. The adjusted poverty rate for White families is 5.9 in 1980, about 2 percentage points lower than the published estimate. Thus, changes in family composition over the last decade have been closely associated with the maintenance of high official poverty rates for these groups.

The data shown in table 2 also offer a partial explanation to the extremely slow growth in real median family income during the 1970's. Real median family income did not change significantly during the 1970's, as compared with an annual growth rate of 3 percent during the 1960's. One obvious reason for the poor performance during the 1970's is the severe recession which occurred between November 1973 and March 1975. The statistics show that median family income (in 1980 dollars) fell from $22,346 in 1973 to $21,004 in 1975. However, the changes in family composition discussed in this paper apparently have also acted as a "drag" on family income statistics. The extent of this influence is shown in figure 6, which depicts the percent change in real median family income between 1970 and 1980 by race, as published from the March CPS and as adjusted using the procedure described here. Overall, changes in family composition during the 1970's had a moderating effect on the growth in real median family income for all families. However, the impact on the statistics by race is more striking. The adjusted data for White families only raise real median income growth from .8 to 3.3 percent, since Whites experienced only moderate changes in family composition. For Blacks, changes in family composition are associated with a real income decline of 4.9 percent between 1970 and 1980 rather than an increase of 11.3 percent. These data suggest that, in the absence of changes in family composition, the average income of Black families would have increased more rapidly than the average income of White families.

Table 3. Families Below the Poverty Level in 1970 and 1980

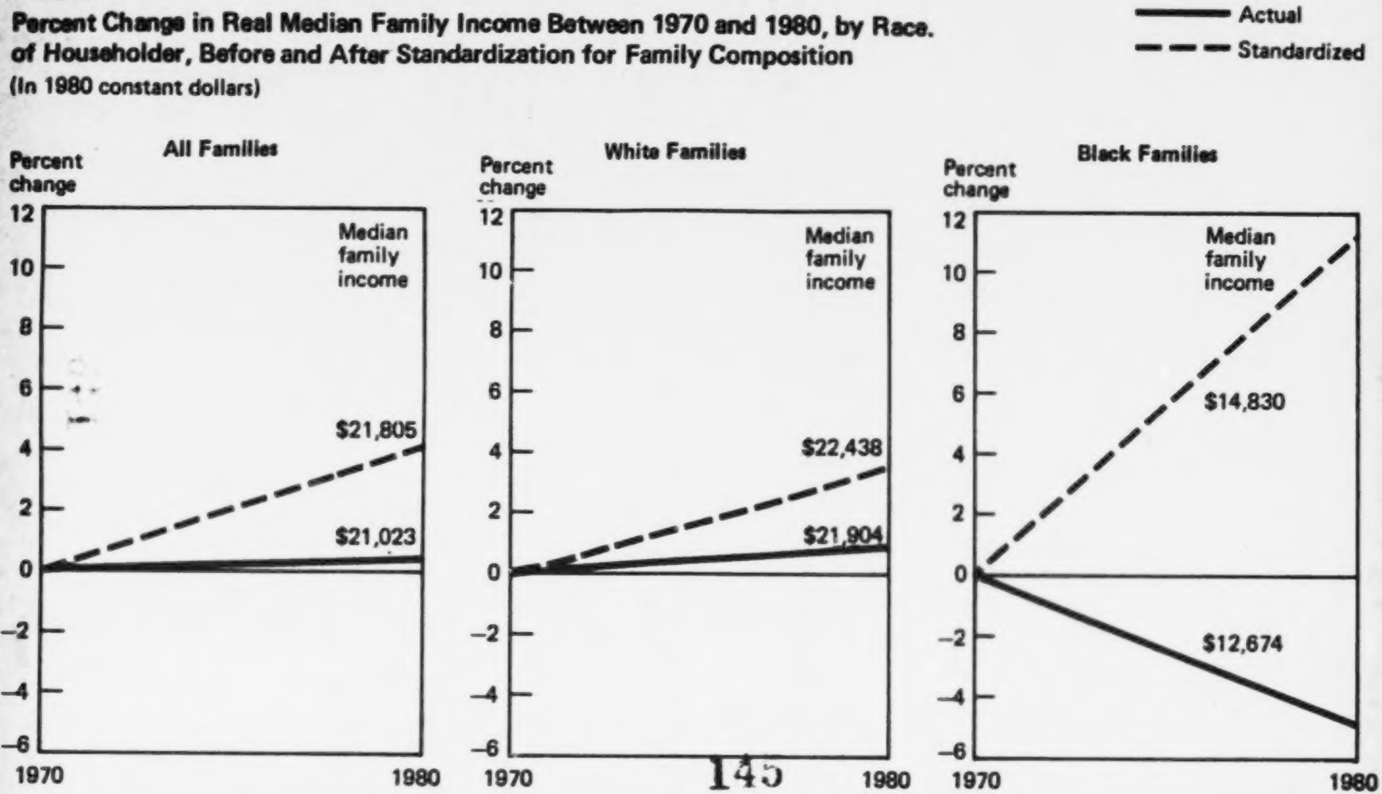
(Numbers in thousands. Families as of March of the following year)

Selected characteristics	1980						1970	
	Below poverty level			Poverty rate			Below poverty level	Poverty rate
	Published	Adjusted	Difference	Published	Adjusted	Difference		
ALL FAMILIES								
Total	6,217	4,200	-2,017	10.3	7.3	-3.0	5,260	10.1
Male householder	3,099	2,459	-640	6.3	4.8	-1.5	3,309	7.2
Female householder	3,118	1,741	-1,377	28.6	24.9	-3.7	1,951	32.5
WHITE FAMILIES								
Total	4,195	3,071	-1,124	8.0	5.9	-2.1	3,708	8.0
Male householder	2,497	2,056	-441	5.6	4.4	-1.2	2,606	6.2
Female householder	1,698	1,015	-683	21.8	19.3	-2.5	1,102	25.0
BLACK FAMILIES								
Total	1,826	1,069	-757	28.9	19.9	-9.0	1,481	29.5
Male householder	474	360	-114	13.8	9.7	-4.1	648	18.6
Female householder	1,353	710	-643	46.8	42.2	-4.6	834	54.3

FIGURE 6.

Percent Change in Real Median Family Income Between 1970 and 1980, by Race of Householder, Before and After Standardization for Family Composition

(In 1980 constant dollars)



CONCLUSION

Our analysis indicates that changes in family composition during the 1970's have adversely affected measures of both Black and White average family incomes. In addition, the effects have been more severe for Black families than for White families, thus depressing the ratio of Black to White median income below what it would have been in the absence of such changes. Although the overall ratio of Black to White median family income declined from .61 in 1970 to .58 in 1980, the ratio increased for husband-wife families (from .73 to .79) and remained about the same for families maintained by women (.62). Thus, a comparison of the overall statistics indicates that Blacks are falling behind Whites in terms of income, whereas comparisons for specific types of families indicate that they are making some gains. The latter comparison is more accurate because it, in effect, partially standardizes for changes in family composition that have occurred. This indicates that the overall median income may not be a good indicator of the economic status of families when significant changes in family composition have occurred. This is a complex issue which deserves additional research.

Notes

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[1] Bradley Schiller has suggested that the civil rights and equal opportunity initiatives of the 1960's benefited Black entrants into the labor force, but failed to benefit Black workers who were already assimilated into the labor market. (See Schiller, 1977, p. 936.)

[2] The 1959 income data are from the 1960 census, and the 1969 income data are from the 1970 census. Income data referenced from 1970 onward are from the March Current Population Surveys (CPS). It should be noted that income and poverty levels from the decennial census differ somewhat from March CPS data for the same period. These differences are discussed in the P-60 series of the Current Population Reports. Income as defined from these sources includes various forms of money income received periodically, such as wages and salaries, net income from self-employment, Social Security benefits, public assistance payments, property income, pension income, and unemployment compensation. The income concept does not include in-kind benefits, such as food stamps, or capital gains. As with all survey data, the income data are subject to sampling variability and errors of response, such as misreporting.

[3] The ratio of Black to White median income for both sexes combined conceals the fact that the income gap was much narrower for women (.84 in 1969) than for men (.60 in 1969).

[4] Several authors have compared Black-White income ratios after adjusting for differences in productivity factors, such as education and scholastic achievement, demographic factors, such as age, and locational factors. (See for example, Gwartney, 1970; Smith and Welch, 1977; and Social Indicators, 1978.) These studies invariably find that the income gap between Blacks and Whites is narrowed after adjusting for such differences, but that an unexplained residual which is often attributed to discrimination remains.

[5] Population characteristics from the March CPS are as of the survey date, but income statistics refer to amounts received during the previous calendar year. Thus, demographic characteristics as of March 1971 correspond to 1970 income levels.

[6] Although it has been observed that an increase in husband's earnings tends to lower the labor force participation rate of wives, there have been several other developments which have led to an increase in the participation rate for wives. These factors include the rising real wages experienced by females, decline in birth rates, increase in educational attainment of women, decrease in the average length of the work week and change in technology and industrial structure leading to an increase in the demand for female labor. (See Mincer, 1962.) A discussion of differences in labor force participation rates for Black and White women can be found in Cain, 1966.

[7] The latest data available for births to unmarried women are from the National Center for Health Statistics and are for the calendar year 1979.

Appendix: Methodology Used for Standardization Procedure

The procedure used to develop a special March CPS computer file with 1980 income levels and March 1971 demographic characteristics is described in this section. The approach used was to adjust the weight for each person on the March 1981 CPS file (which has 1980 income levels) to correspond to demographic relationships identified from the March 1971 CPS file. The steps involved in the adjustment procedure were:

1. The first step was to decide on the specific demographic characteristics to be used in the standardization procedure. Although this was a somewhat arbitrary decision, an obvious constraint was information normally available from the March CPS. The following categories were selected from four major areas: family relationship, age, race, and sex.

Family relationship:

--householder with children
--householder without children
--spouse with children
--spouse without children
--female householder, no husband present, with children
--female householder, no husband present, without children
--male householder, no wife present, with children
--male householder, no wife present, without children
--child of householder
--other family members
--unrelated individual living alone
--other primary unrelated individual
--secondary unrelated individual

Age:

--less than 15 years old
--15 to 19 years old
--20 to 24 years old
--25 to 29 years old
--30 to 34 years old
--35 to 44 years old
--45 to 54 years old
--55 to 64 years old
--65 years old and over

20

Race:	Sex:
--White	--Male
--Black	--Female
--Other race	

These characteristics were cross-classified with each other to produce a matrix having 702 cells.

2. The next step was to tally the number of persons from the March 1971 CPS file into each cell of the matrix. This procedure was repeated in a separate 702-cell matrix for persons on the March 1981 CPS file.

3. The number of persons tallied in corresponding cells of the matrices were compared to determine the number of sample cases present. If the number of sample cases in a given cell was less than 20 for either year, the cells were blanked for both years and the respective sample cases were placed in a residual category for each matrix. This procedure was used because of the concern for high sampling variability in cells with a sparse number of observations. In this particular application, the proportion of cases falling into the residual category was .88 percent for March 1971 and 3.27 percent for March 1981, reflecting more diverse living arrangements in the latter year. In most cases, cells with less than 20 observations represented combinations of the variables that were not crucial to the analysis.

4. The next step was to calculate the ratios of representation by cells for each year separately. The proportions for the residual categories were plugged into cells which were previously blanked. The proportions for each cell of the March 1971 matrix were then divided by the corresponding proportions from the March 1981 matrix to produce adjustment factors for each cell.

5. Finally, the March 1981 CPS file was reread, and the appropriate location in the 702-cell matrix was determined for each person on the file. The persons weight on the file was then multiplied by the appropriate adjustment factor determined in step 4 and the original weight on the file was replaced by the adjusted weight. This effectively produced a March 1981 CPS file with 1980 income data and March 1971 demographic relationships. No attempt was made to reweight the file to age, race, and sex control numbers, as is usually done in the March CPS, since this would have counteracted the standardization procedure.

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On Social Invention: Some Reflections on the Relationship Between Family and Poverty

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Introduction

"One measure of a good society is how well it cares for the weakest and most vulnerable of its members."[1] In every society, a substantial proportion of the population will be in need of help from others because it is unable to meet all its needs alone. The elderly, orphans and other needy children, the handicapped, and those with special disabilities (e.g., nervous disorders, prolonged sicknesses, or temporary misfortunes) are necessarily dependent upon others for their financial needs. It is, therefore, no mark against any society that it has in its midst a substantial number of needy and vulnerable members. This will be especially true in modern societies, to which and within which there have been significant migrations, and where most citizens live beyond the traditional support systems of rural villages. It will be true, not least, in a continent-sized, highly mobile society such as the United States.

Ironically, the more successful a society is in its health and welfare programs, the more such members it will have, for two reasons. First, its elderly—retired from employment—will live longer and, as a consequence, some of them will require care and assistance for longer periods of time. It is a great human success to see our parents live longer and in greater numbers than those of any previous generation in history, even if those older than eighty or even seventy may become more dependent than ever before. Second, a dynamic, prosperous society is likely to set ever higher standards of well-being, thereby bringing more people within the scope of its social programs. This, too, is admirable. The official United States poverty line is higher by far than the income of the vast majority of the earth's people now or ever before—and this is a success, not a failure.

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[1] Lay Commission on Catholic Social Teaching and the U.S. Economy, Toward the Future: Catholic Social Thought and the U.S. Economy—A Lay Letter 58 (1984).

Despite these successes, there is today widespread dissatisfaction with modern welfare societies. The "needs" they attempt to meet are infinitely expandable. Even persons who are not strictly in need have come to be included within government assistance programs. Indeed, rather high proportions of government assistance end up not going to the neediest but to wide sections of the society; Social Security, for example, goes to the elderly as a class without discriminating on the basis of need. Accordingly, government welfare programs seem to grow in cost for many reasons beside inflation. Such programs are regularly criticized from all points of view for their inefficiency, so much so that social thinkers such as Edward A. Shils have questioned whether governments are capable of managing the vast new obligations they have assumed.[2] Alexis de Tocqueville is again being quoted on "the new soft tyranny" of dependency.[3] Hilaire Belloc's *The Servile State*[4] and F. A. Hayek's *The Road to Serfdom*[5] gain new adherents daily.

The main sources of widespread discontent among intellectuals currently contemplating the fate of the welfare state are probably less philosophical than practical: do welfare states unavoidably injure themselves by taking on too much—by inevitable mismanagement, by insuperable costs, and by the declining morale (and morals) of their citizens? So it is also with ordinary citizens. A recent poll commissioned by the *Los Angeles Times* and reported in *Public Opinion* showed that significant majorities of both the poor (56%) and the non-poor (73%) believe that the government does not know how to help the poor, even with unlimited funds. Barely 51% of the poor think the "War on Poverty" made things "better;" included in this statistic were only 14% who said "much better." Moreover, 56% of the poor and 59% of the non-poor think anti-poverty programs have seldom worked. Only 5% of the poor think this was because anti-poverty programs were never given enough money; 50% (63% of the black poor) said it was because the money never got to the poor.[6]

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[2] *See, e.g.*, E. Shils, Political Development in the New States (1962).

[3] *See, e.g.*, A. de Tocqueville, Democracy in America (1900).

[4] H. Belloc, The Servile State (1912).

[5] F. A. Hayek, The Road to Serfdom (1944).

[6] Lewis & Schneider, *Hard Times: The Public on Poverty*, 8 Pub. Opinion 1 (1985). A hopeful finding: only 23% of the poor sampled concurred with the proposition that "Government is responsible for [the] well-being of all its citizens and has an obligation to take care of them." A large majority of the poor sampled (69%) held, rather, that

Social Invention

The model the United States has followed since the "War on Poverty" set forth two aspirations: first, to remove barriers to opportunity; second, to accept those who cannot or do not help themselves, as dependents to whom society must minister. Nearly all the burden of this second task has fallen on government. Government has been allowed to become the chief agency for designing, administering, and funding social welfare programs. Although "society" and "state" are not co-extensive, society has here delegated most of its responsibilities to the state. Rather than abandoning some of these basic philosophical assumptions which underlie the welfare state, however, we must at least try to improve the design of what we are doing.

In my opinion, government should do more, if not monetarily, then at least with considerable social inventiveness, and not solely in the way government has been doing it. While the moral principles we hold will not allow us to do less—not, at least, while the problems of the poor are so poignant—we are now called to *invent a better way*. That a good society should help the needy, and that the government should have sound poverty programs, is both morally and politically appropriate. Yet the *design* of such programs should always be in question, particularly in light of their consequences.

Since the policies of welfare states necessarily alter rational expectations, it would seem naive to believe that such states do not change the ethos within which their citizens are prepared for reality. Risk of total destitution being removed, are citizens thereby taught to shape in themselves a different sort of character? While no system can remove entirely the risks inherent in human liberty and diversity, and while the character of its citizens is always an important concern of the polity, some persons among the poor are inevitably so wounded that they are simply in dire need. Welfare programs are necessary, then; but so is a public ethos of character and virtue.

For many years now, the thought has nagged me that our intellectual elites (in academia, journalism, and policy-making) are preoccupied with the twin modern concerns of the individual and the state. Yet in the actual social world in which most human beings live, neither our naked individuality nor our role as citizens actually predominates. Family life, in particular, and the smaller, social worlds of our friends, associates, and neighbors, have far more to do with our daily happiness, welfare, hurt, and need. In short, "social"

"People are responsible for their own well-being and have an obligation to take care of themselves." *Id.* at 59. *See* Appendix, Table I, for selected questions from this poll.

should not be confused with "state." Between the individual and the state there are crucial social worlds—mediating institutions—in which we dwell as active social animals. In neglecting those crucial social worlds and in concentrating on *state* assistance to *individuals*, our public policy is seriously out of touch with human reality. A major shift in our public policy may be far less expensive and far more effective. In particular, I submit that promoting family life is the best long-range focus of a fruitful social policy since the family provides the most basic and indispensable sphere of daily existence.

I. *Transforming the Images of Poverty*

To begin, we should question the *images* of poverty on which government action is based. Is poverty something that can be "warred" upon? The suggestion implies that poverty is a combatant and can surrender. Is poverty only the opposite of monetary wealth, with no roots in culture and personal development, such that it can be defeated solely by infusions of money? Experience has shown these to be erroneous patterns of thought. Indeed, programs thought to be successful such as Head Start and tutorial assistance went beyond purely monetary conceptions to attack the rootedness of poverty in culture. Consider how cheap it would be, in purely monetary terms, to eliminate poverty. In 1984, 33.7 million persons were counted as poor by the meeting the criteria of an income (excluding non-cash benefits) less than $10,609.00 for a non-farm family of four.[7] As a thought experiment, suppose that these 33.7 million individuals were equivalent to 9 million families of four. Simply to have given each of 9 million families $10,609.00 in 1984 would have cost only $95 billion. Since we know that many of the poor already earn some income, although not enough to carry them above the poverty line, considerably less than $95 billion would be needed. In fact, given these statistics, the "poverty gap" can be calculated at about $46 billion.[8] Obviously then, poverty is not a purely monetary problem. If it were, we could eliminate poverty in America simply by *giving* each person enough money to push him or her over the poverty line. This is not even a very expensive proposition relative to other federal expenditures. Nonetheless, few of us believe that the personal and cultural vulnerabilities also implied by "poverty" would disappear even if gifts of money served to lift every poor person above the official poverty line. An "unemployable" twenty-two year old, even with money in his pocket, has not fully escaped from poverty.

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[7] Bureau of the Census, Current Population Reports, U.S. Dep't of Commerce, Series P-60, No. 149, Money Income and Poverty Status of Families and Persons in the United States: 1984 2, 31 (1985) (Advance Data from the March 1985 Current Population Survey), [hereinafter cited as Money Income and Poverty Status].

[8] Calculated from Money Income and Poverty Status, *supra* note 7, Table 19, at 30.

How, then, can we reach a more helpful understanding of poverty, so as to arrive at less destructive and more creative social programs?

A. *Disaggregating the Poor*

The first obvious step involves "disaggregating" the poor by examining the various statistical profiles already available, and perhaps by thinking of even more penetrating statistics that might be gathered.* The advantages of disaggregation in information terms are clear: the elderly poor will hardly be helped by job training, the poor under age eighteen may have special educational needs, the disabled may need not only income maintenance but special care, and so forth. As matters stand, our *official* figures describe the poor by a uniform monetary measure. These official statistics do perform certain critical disaggregations such as age, sex, race, and employment. The existing statistical disaggregations help us to grasp the relative magnitudes of poor in different sub-populations (the elderly, the young) in different locations (rural, urban) and the like. The official figures are extremely valuable in this regard and they often lead to conclusions that run counter to prevailing stereotypes.[9]

Several crucial disaggregations not currently reflected in the official figures would be helpful. For instance, how many of the poor possess certain measurable skills or aptitudes, and how many need help to acquire skills? How many of the poor would classify themselves as poor? Married graduate students in non-farm families of four living on far less than $10,609 in 1984 probably did not think of themselves as poor; nor did many immigrants who arrived penniless but optimistic about their prospects; nor did those persons who *chose* to live largely outside a cash economy for reasons of self-sufficiency, for example. The human side of poverty needs more statistical attention.[10]

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[9] *Id.*, Table 15, at 21.

[10] S. Anna Kondratas argues that the "Census Bureau officially defines poverty on the basis of cash income only, even though common sense would indicate that poverty—the opposite of wealth—is a function not only of income, but also of assets and investment in human capital. Thus, a middle-class student who has moved out of his parents'

B. *The Human Story*

A second step in arriving at a more helpful understanding of poverty involves beginning to think of poverty in terms of personal histories. Not all persons officially classified as poor are, or think of themselves as, dependent upon government. Not all want, or need, assistance. Poverty is not solely a matter of income in a given year; a given year is only a snapshot in a life-long film. Behind and ahead of every unit of increase or decrease in the poverty statistics there is a human *story*. To be effective, assistance programs must somehow take account of these narratives. Government, and especially the federal government, cannot possibly know nor be expected to know such stories. Typically, though, persons or organizations close to those involved do know their stories. This is one of the factors that argues in favor of a public policy centered upon existing social support systems with ready access to crucial information, even if narrative in form. Helping people, even in one's own family, is a difficult art. To respect that art is part of the mutual respect humans owe one another.

C. *The Potential for Independence*

A third step involves distinguishing sharply between two categories of the poor. First, there is a substantial class of persons who are dependent and are always going to be dependent, because they simply cannot (because of age, disability, infirmity, etc.) care for themselves. Such persons require social assistance, if not from other social bodies to which they belong, then from the state. Second, there are those who, *if helped in the appropriate way*, can become independent and thereby keep themselves out of poverty. (This category includes children and others who may be dependent on an income-producer). Every reduction of poverty in this second category brings about two immensely significant social gains: the individuals able to achieve independence from the state and pull themselves out of poverty experience that sense of full dignity that

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home and is subsisting on scholarships is likely to be defined as 'poor' even though he has his parents' income to fall back on and his 'poverty' is a normal step in a successful economic life cycle. An elderly couple in their own home and with considerable assets can still be classified as poor if their retirement income is below the poverty line ($6,023 in 1983), even if that income is sufficient for their ordinary needs and they can cash in some assets to cover emergencies. A self-employed businessman whose earnings fluctuate widely can be officially poor in a year of low earnings, even though he has a savings cushion from previous years for just this purpose and even though his business may be worth a great deal." Kondratas, *Poverty and Equity: Problems of Definition*, 9 J. INST. FOR SOCIOECON. STUD. 37, 40 (1985).

comes from self-reliance and self-mastery; and public funds are made available for helping those who can never attain such autonomy.

There is a particularly strong need for fresh thinking about those young members of this second category who show every *physical* sign of being able to be self-reliant, but who, from some psychological sense of demoralization or through self-injuring behavior, continue to be dependent upon others. One thinks of bold, strong ghetto youths, physically not only strong, but superior, who find jobs but cannot hold them, or who apply for openings and for reasons short of discrimination (since others of the same characteristics take such jobs in their place) are considered unemployable. One thinks of those who choose a way of personal development inconsistent with economic self-reliance, scorning abundant opportunities to teach themselves to read or learn other indispensible skills. One thinks, too, of teenage girls who become unwed mothers and of their children. While the absolute number of people who comprise this second category may not be substantial, they seem especially important to consider because of their youth and promise. We will return to them below.

D. *The Family as the Solution*

Finally, we need some fresh thinking about the role of the family in overcoming poverty. According to the statistics, an intact (husband-wife) family is the best social arrangement for staying out of poverty. In 1984, only 6.9% of married-couple families (including the elderly) were poor;[11] still fewer if non-cash benefits are included.[12] The reason for this appears to lie not only in the possibility of two incomes instead of one, but also in the attentions, disciplines, and special teaching that two parents are typically better able to provide than one parent alone. In preparing for a life of economic activism and self-reliance, the role of an attentive father seems epecially helpful for young men. A confiding father seems to be an invaluable teacher to a young man who needs to know the lore about the world of jobs and who needs advice about handling the turbulent and aggressive emotions of young men.[13] Yet it is not only themselves but also the *two* sets of extended relatives that a husband and wife bring to their children in creating a loving, supportive, and guiding family network.

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[11] Money Income and Poverty Status, *supra* note 7, Table 14, at 20. Table 2 in the Appendix demonstrates the effect of family structures on poverty. Whereas only 6.9% of all persons in married-couple families are poor, 34% of persons in female-headed households with no husband present are poor. Moreover, while the latter accounted for only one-quarter of all poor persons in 1960, in 1984 they accounted for half of the poor.

[12] Using the market value method of valuing non-cash benefits, only 6.4% of married-couple families were classified as poor in 1984. *See* Bureau of Census, U.S. Dep't of Commerce, Technical Paper 55, Estimates of Poverty Including the Value of Noncash Benefits: 1984 18, Table 2 (1985). *See also* Appendix, Table 2.

One might argue that poverty causes families to break up and not that broken families cause poverty. Some may further object that persons living in female-headed households, who today constitute such a large proportion of the poor (49% in 1984),[14] don't so much "fall" into poverty as "stay" in it. Indeed, the poverty statistics may then reflect *two* poor households where before there was only one. My reply is that when Americans were far poorer, separation and divorce among the poor (not to mention birth out-of-wedlock) were not nearly as extensive as today. If financial standing were everything, couples in poverty would have strong incentives to stay together (e.g., life together is cheaper, two incomes are better than one). Clearly the changing structure of the family is affected by many non-economic factors. This seems to be particularly true in this age of mass communications and of a concomitant, rapidly shifting public ethos, as we will examine below.[15]

In a fluid, individual-centered era of analysis such as ours, some wish to imagine that there are "alternatives" to the "traditional married-couple family." Some propose as alternatives the extended family of a single-parent, or a tight-knit "community" operating together as a family. Such are the hazards of human life that all sorts of substitutes have of necessity been introduced to do what married-couple families do best. I applaud every sort of help from extended families and close communities. Yet for the most intimate aspects of family life—monitoring a child's study habits, choosing a diet, teaching habits of impulse-restraint and hard work, demonstrating how to use hammers, pens, and typewriters—it is difficult to imagine substitutes for father and mother, especially if the latter are clearly friends. What human arrangement is superior to this?

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[13] I am far from certain about the differences in helping to prepare young females and males for a productive working life. But it does seem that black females, for example, enter the job market with higher confidence, ambition, and success than black males. Is this because in their mothers they have a closer role model? Is there something in their African or American past, or within the wider society, which better prepares black females for productive lives? Is there something in entry levels to the labor markets more favorable to black females? Does male aggression in a setting led chiefly by females become confused? Are there expectations that if a male does not have a job, unlike a female of the same age, he is not eligible as a marriage partner? Male-female differences do seem to be highly significant, both in family life and economic life. More light in this area would be welcome.

[14] MONEY INCOME AND POVERTY STATUS, *supra* note 7, Tables 14, 15, at 20, 23.

[15] *See infra* pp. 312-315.

In any case, the single-parent household faces several disadvantages. Permit me a personal example. When my wife is away on a trip, minding the kids is far more difficult for me; and the same for her, when I am away. With regard to many family responsibilities, two parents together are clearly better off than one alone. This truism concerns far more than the family's immediate financial condition. Bringing up sons and bringing up daughters are two quite different projects, and the sex of the parent respecting each is often of considerable moment. One must have the highest admiration for single parents, knowing how many failures one has oneself as but one of two parents in a couple; and experience obliges one to concur with Anna Kondratas that many single parents do, in fact, succeed remarkably well.[16] Financially, psychologically, and emotionally—or whatever it is in gender that is not interchangeable—however, the intact husband-wife family has clear advantages.

In intellectual discourse today, I recognize that the mention of "family" rings many ideological bells. Some associate family with "bourgeois," "traditional," "unenlightened," "private property," "victorian," the "*ancien regime*." It is a critic's task, however, to pierce the veil of ideology in the hope of coming closer to reality. My specific observation is that strengthening the married-couple, intact family is good public policy, insofar as it helps to keep many out of and others to escape from poverty. Since poverty is far more than an economic condition and more accurately a tangle of diverse human elements, and since all of these elements are touched by family life, concentrating on the family and its relationship to poverty is highly instructive.

II. *Focus the Assistance Strategy*

Given such considerations as these, what suggestions might be made with the goal of developing sounder welfare policies?

The conundrum that government assistance must solve is how to help those who must be helped without distorting factors of supply and demand so that costs become staggering. Human beings seem to have a propensity for taking advantage of the public treasury in ways they would not otherwise imagine were responsibility purely personal. Even among highly trained health care professionals, health costs soar when an institutional third party (public or private) foots the bill. One of the nation's truly great and effective welfare programs, Medicare, has suffered under this price distortion, even though various new service-delivery techniques are being employed in an attempt to remedy this problem.[17] More work needs to be done in this area.

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[16] *See* Kondratas, *supra* note 10.

The case of those who can move from dependence to independence calls most strongly for social intervention. In 1962, President Kennedy announced that the chief purpose of his welfare reform (a tiny seed of the Great Society) was to maintain "the integrity and preservation of the family unit."[18] If we look at the American family twenty years later in 1982, and especially at those portions of the population most affected by welfare, it cannot be said that President Kennedy's chief purpose was fulfilled. In Washington, D.C., 56% of all births in 1983 were to unwed mothers, many of them teenagers In Chicago, New York, and elsewhere, the figures are comparable—or higher.[19] There seems to be a rising coincidence between populations on welfare and unwed motherhood. Poverty alone cannot be said to lead to unwed motherhood, for under conditions of greater poverty than today the incidence of unwed motherhood was far lower, and among some groups in poverty it still remains low. Given the specific patterns of slavery in the American South which dictated that blacks be purposefully kept dependent, it may be that circumstances of dependency, recreated by contemporary welfare policy, evoke a special kind of suffering among blacks. It may be that high joblessness among young black males today brings such dependency to a painful pitch. Today's period of high welfare coincides with unprecedented high patterns of unwed motherhood. Why? How? We need to understand the relationship between these two phenomena—and much else—far better than we do now.[20] The costs unwed motherhood inflict on this and the next generation are frightening to contemplate.

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[17] For a good analysis of health care policy and Medicare, *see* Incentives vs. Controls in Health Policy: Broadening the Debate (J. Meyer ed. 1985).

[18] *Text of President's Message to Congress Seeking Reforms in Welfare Programs*, N.Y. Times, Feb. 2, 1962, at 10, col. 6. (Text of speech by President Kennedy).

[19] *See* Cummings, *Breakup of Black Family Imperils Gains of Decades*, N. Y. Times, Nov. 20, 1983, at 1, col. 3; *id.*, Nov. 21, 1983, at 1, col. 2. Since 1950, the national illegitimacy rate has doubled from 14.1 babies to a staggering 29.4 per 1000 unmarried women in 1980. *See* Appendix, Table 3. Such an enormous increase in the illegitimate birth rate is reflected in the comparable growth of persons in female-headed families with no husband present. The number of such persons rose from 14.2 million to 30.8 million between 1959 and 1984. Calculated from Money Income and Poverty Status, *supra* note 7, Table 15.

[20] Charles Murray argues that "the context in which the illegitimacy rate among poor women increased cannot be understood without understanding as well the impor-

To repeat, the actual number of unwed young mothers nationwide, approximately 300,000, is not large in absolute terms. It is difficult to believe, however, that their children will get a good economic start toward self-reliance. The youth and promise of those whose futures are at stake call for something new, something better.

Is our capacity for social invention such that we can think of *nothing* to do? For government, the problem is delicate. The choice to have children—and there is no question that many young mothers *want* these children—is a personal one. Since the young mothers are not usually in a position to provide for these children alone, however, the problem becomes one of public concern and the solution a dilemma of public policy.[21]

Several years ago, the federal government conducted a massive social experiment in which the high hopes of many were invested. Scholars as diverse as Milton Friedman and James Tobin supported the basic idea behind the experiment, which involved giving a large number of poor families a minimum income sufficient to bring them over the poverty line—an idea which seemed to make eminent sense at that time. One unexpected result of the Seattle-Denver experiment was that husbands and wives separated in a higher proportion of the subsidized families—42% higher among blacks, 36% among whites—than in the unsubsidized control groups.[22] From the standpoint of the individual couples, this may or may not have been a happy result. Despite tentative theories, however, we do not fully know *why* this happened. Precisely how was self-image and behavior affected? Did the husbands lose self-esteem? What did the wives experience? From the standpoint of public policy, the experiment suggested that, rather than diminishing poverty, this particular income program seemed to increase instability. Far from strengthening families, this program seemed to promote their dissolution, for reasons not at all obvious. Since reducing poverty and strengthening families were two of the major goals of reformers, the actual

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tance of changes in crime, education, and status rewards—an interactive system . . . ." Murray, *Have the Poor Been "Losing Ground"?*, 100 AM. POL. SCI. Q. 442, 443 (1985).

[21] Surprisingly, 58% of poor blacks and 70% of poor women "often" concur with the sentence, "Poor young women have babies so they can collect welfare." The nonpoor said "seldom" (51%). Lewis & Schneider, *supra* note 6.

[22] *See* J. WILSON & R. HERRNSTEIN, CRIME AND HUMAN NATURE 480 (1985) (brief discussion of these findings), *citing* Bishop, *Jobs, Cash Transfers, and Marital Instability: A Review and Synthesis of the Evidence*, 15 J. HUM. RESOURCES 312 (1980).

results brought unhappy tidings.[23] Once again, economic factors seem to have been overrated.

Human beings are creatures of unbelievable complexity, native shrewdness, and resilience. However noble the intentions of government, by the time a program meets the bewildering reality of concrete personal motivations, perceptions, and calculation of opportunities, the actual consequences may affect values and behavior in typically unforeseen ways.

III. *The "New Poverty"*

Today, then, the nation is confronting "a new poverty." This phenomenon grows in major part from a massive change of ethos in which major demographic shifts and changes in family structure have played significant roles. It is, in a sense, a poverty that springs from personal choices about family life made upon quite other than purely economic grounds.

A. *The Ethos of Affluence*

Some writers have suggested that a special problem for today's poor arises from the unprecedented impact and force of mass communications. Television in particular arrived upon the national scene during precisely the period of massive welfare activity, roughly 1960-1985. As a result of mass communications, the ethos that prevailed during the pre-World War II days of my youth no longer prevails; it is contested daily on the little blue screen in our own family rooms. To grasp the full impact of this change, we need first to examine the recent past.

The immense prosperity of the postwar period entailed a singular demographic shift: until the Second World War, very nearly a *majority* of Americans were poor by *today's* external standards. Many who were not technically poor, including intellectuals, lived very modestly indeed. By 1960, however, only 22% of Americans were poor—again according to contemporary measures—and at that time one could (and did) write plausibly about the "affluent society," only thirty years after the Depression. Perhaps more important was a corresponding change in the public image of poverty and in the psychological self-image of the poor. When a majority was poor, many who would today be officially classified as poor did not *feel* poor and they were neither officially nor publicly described as such.[24] More than that, frugal habits, hard work and study seemed the lot of everyone. Given the incredible economic expansion of the postwar decade, such habits seemed to have clearly and dramatically paid off. So rapid was the upward mobility of millions that even today poverty seems to have been a monetary (but perhaps not a psychological) condition most adult Americans remember having lived through. They remember well the way they thought, felt, and behaved—and measure today's realities accordingly.

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[23] It is interesting to note that the April, 1985, *Los Angeles Times* poll found that 60% of all poor persons and 61% of all non-poor persons think "almost always or often" welfare encourages husbands to avoid family responsibilities. *See* Lewis & Schneider, *supra* note 6.

In the new age of mass communications, however, mainstream consciousness is no longer the consciousness of poverty. Most advertising (of which the average television viewer watches at least an hour daily)[25] is couched in "upscale" images. In addition, most scenes in popular entertainment suggest an unrealistic affluence even in the portrayal of "average" families. The culture of poverty used to be a culture of considerable impulse-restraint, frugality, hard work and careful budgeting; then there was no mass media to teach one differently. Today, however, the ethos suggested by trend-setters in the media is one of impulse-gratification, consumer debt, low savings and high consumption.

To be poor between 1930 and 1945, and in the longer sweep of history before that, was an experience qualitatively different from being poor between 1970 and 1985. No longer are the American poor part of a majority, but rather a minority. No longer are the same virtues celebrated by a common ethos. On the contrary, this nation has experienced one of the most extensive shifts in fundamental ethos since its founding. How can we be surprised, then, when our assumptions about how poor people will behave, assumptions rooted in our own personal experience, turn out today to be false? Those who remember what a prize the first pair of Keds gym shoes used to be, and recall how long they had to last, are not in the same psychological world as the youngsters whose fancy footwear they observe in the playgrounds of the poorest sections of our urban slums today. Even poor households today may not feel privileged when they are able to acquire some "big ticket" items, such as a refrigerator, a first family car, or a television set, that once were occasions of considerable family pride and celebration. Today's poor, in a sense, carry heavier cash obligations because everyone's expectations of what is considered "normal" affluence have risen dramatically. The public ethos and personal psychology of the world have changed a great deal during a single lifetime.

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[24] Even today many people deeply resent being referred to as poor solely on the basis of their annual cash flow. *See* M. Novak, Religion and Politics: Mr. and Mrs. W.: The White Poor (Syndicated Column, Vol. 2, No. 18, May 3, 1985), *appearing in, e.g.*, Los Angeles Herald-Examiner, May 12, 1985.

[25] The average American watched seven hours of television per day in 1983, up from 5.1 hours per day in 1960. Bureau of the Census, Statistical Abstract of the United States, U.S. Dep't of Commerce, Table 924 (1985).

The "standards" set by mass advertising represent standards of "the good life" aimed indiscriminately at the population as a whole: rich, middle class, and poor alike. All Americans, not only the poor, seem to be less inclined to save and more inclined to acquire immediately the "normal" goods of daily living, and often enough to "splurge" using popular instruments of consumer debt. In such circumstances, to be poor today is to inhabit a world significantly different from that of the poor in 1930-1945.

Today's world is, in many ways, a much better world. Yet it does confront us with an ethos not nearly as well suited to a rapid advance out of poverty as was the ethos it replaced. I do not mean that Americans are less willing to work. To the contrary, a higher proportion of American adults between ages eighteen and sixty-five, just over 60%,[26] are now employed than at any other time in American history. Nor do I mean to imply that the millions of immigrants still streaming to these shores are no longer finding ours to be a land of opportunity; quite the opposite. Rather, I mean that the ethos of sacrifice, frugality, contentment with a little hard work, excitement about small gains and a fierce sense of personal achievement is as difficult to conjure up for one's own children as is a memory of a grandparent they never knew. I think I know how to educate my children to cope with poverty as I was educated; I have been quite uncertain about how to educate them to cope with affluence. It seems that some of the poor of today are no longer sure that the old rules for coping with poverty apply, once they come in contact with the media's image of wealth and, perhaps, their children at school begin to mix with the more affluent. Being squeezed between one ethos and another is sometimes more painful than getting a hand squeezed by the edge of a revolving door, when one does not know whether to go forward or back, or how to stop the door long enough to decide.

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[26] COUNCIL OF ECONOMIC ADVISORS, ECONOMIC INDICATORS: SEPTEMBER 1985 11 (1985) (prepared for Joint Economic Comm., 99th Cong., 1st Sess.). When we expand the ages to 16-25, the percentage of employed persons nears 70% for the month of October, 1985. Unfortunately, while national employment rose by 5% between 1972 and 1985, black employment fell by 6% during the same period. Since 1980, however, black employment has remained steady at 56%. *See* Appendix, Table 5.

B. *The Decline of the Family*

The other major change in the modern ethos reflects the decline of the American family. In 1959 only 8% of all Americans were living in female-headed families with no husband present; by 1984, this figure had grown to 13.2%, from 14.2 million to 30.8 million persons.[27] Most of this change can be attributed not to widowhood, but to personal choices which lead to divorce, separation, or abandonment.

To be sure, these decisions are often difficult; and painful circumstances may nearly overpower the ability to chose. From the standpoint of public policy, however, it is necessary to acknowledge that the contemporary ethos of divorce and separation carries with it social costs, some of which third parties such as taxpayers are expected to bear by subsidizing those people made more dependent by such choices. No doubt, the options of separation and divorce are fixed in our social mores. No doubt, too, tax laws favor divorce over marriage. Still, one can imagine that cultural (rather than legal) institutions might do more to dissuade citizens from too swiftly exercising the option of divorce—and from too casually deciding to marry in the first place. Perhaps it is also necessary to scrutinize those legal structures and incentives, such as AFDC requirements in some states, that penalize couples who would otherwise stay together.[28] As a philosophical and practical matter, government can and should do little in this area consciously to alter patterns of personal choice.

But those relatively few persons who help to shape the national ethos in a time like our own can perhaps turn their attention to the costs, as well as the benefits, of our present customs.

On a somewhat different but related matter, unprecedented numbers of young males are abandoning teen-age and other young women with children without benefit of any marriage at all. In these cases, family "break-up" is not at issue because no intact married-couple family was ever formed. In these cases, again, it is not clear that both parties clearly consented either to the pregnancy or to the subsequent separation. Together with divorce and separation, the sad result of this development is that the largest single bloc of poor American families now consists of female-headed families and their dependents: some 11.8 million persons and nearly 35% of all poor persons.[29] As fast as our nation has made progress in reducing poverty among the elderly and among married-couple families, it has watched with horror as the numbers of the poor in female-headed households with young children have grown even faster.

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[27] Calculated from MONEY INCOME AND POVERTY STATUS, *supra* note 7, Table 15, at 21.

[28] *See* COMMITTEE ON WAYS AND MEANS, CHILDREN IN POVERTY, WMPC: 99-8, 99th Cong., 1st Sess. 12 (Comm. Print 1985). *See generally id.* at 118-23, 404-11.

This fact is even more evident if we engage in another thought experiment and project what poverty might have looked like in 1984 had the structure of American families remained as it was in 1959. Twenty-five years ago, only 8% of Americans lived in female-headed families. If that percentage had held constant (rather than climbing to 13.2%), in 1984 there would have been only 18.7 million persons in female-headed families, as opposed to 30.8 million. If the poverty rate of persons in female-headed families held at 1984 level of 38.4% this would have meant 7.2 million poor persons, rather than the 11.8 million actually registered in 1984. There would have been some 4.6 million fewer poor persons.[30] All those additional poor persons represent only a fraction of the poor, but the existence of this group seems less necessary and its defining characteristics more painful than some others.

With good reason, then, the attention of those who would launch a new assault upon poverty is now drawn to its fast-growing and single largest segment, the 35% of the poor, 11.8 million, who live in female-headed families with no husbands present. Another 4 million unrelated individuals also live in poor female-headed households. Here is the "new poverty" most in need of attention. What is to be done?

Stronger economic growth clearly helps. In 1984, the real median income of female-headed families rose by 3.8%. As a consequence, the number of female-headed households in poverty, most of these with children under 18, actually declined slightly, by 74,000.[31] But even if the economic system were functioning at the level of full employment, high median wages and low inflation, a large proportion of female-headed households would still remain in poverty. Many young mothers with small children are likely to remain outside the labor force for a while. And the poverty level for a household of four in 1984 ($10,609) is about $4000 higher than the annualized minimum wage (approximately $6600).

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[29] Calculated from Money Income and Poverty Status, *supra* note 7, Table 15, at 21.

[30] If one looks at female-headed *households*, a larger class than female-headed *families*, the numbers are even more dramatic. *See* Appendix, Figures 1 and 2. Officially, the term "family" refers to a group of two or more persons related by blood, marriage or adoption, and residing together; all such persons are considered members of the same family. The term "household" includes the related family members and all the unrelated persons, if any, such as lodgers, foster children, wards or employees, who share the housing unit. A person living alone in a housing unit or a group of unrelated persons sharing a housing unit is also counted as a household. Money Income and Poverty Status, *supra* note 7, app. A, at 32. The gap apparently caused by the increase in percentage of female-headed households is dramatic when seen over time and reveals the potential positive impact on poverty of "traditional" family structures.

There are some hopeful signs, however. Over a million of all poor families fell short of the poverty line by only $999 or less. Roughly two million fell short by an additional $1000 or less.[32] Indeed, non-cash benefits, totaling $113 billion from the federal government alone in 1984, are intended to help make up such income deficits. While, as we have seen, poverty involves considerably more than economics alone, it is good both for national morale and commitment to see that the monetary dimensions of the problem are far from staggering.

Another point should be stressed. For the sake of argument, suppose that each poor family has an average of two children. If it is possible to help a million married couples with two children to escape from poverty, the net poverty figure is reduced by about 4 million. For each million female-headed families so helped, the net poverty figure is reduced by an average of about 3 million. The more children per family, of course, the larger the amount of money needed to push the family over the poverty line. My point here, however, is that helping families helps several persons at once, and in that sense, focusing on the family as the unit to which assistance should be directed could provide a very efficient way of reducing poverty.[33]

C. *Some Suggestions*

Two strategies may thus be considered: (1) It would be helpful if someone could conceive of a "reward," a social incentive, that would encourage both the formation and the perpetuation of married-couple families. Such families perform indispensable services which redound to the benefit of the common good. Not the least important is the fact that some 93% of such families maintain themselves above the poverty line. But their moral contribution to the training of their children is also indispensible. The Reagan Administration has proposed steps to eliminate the federal income tax for poor and near-poor *families* such as raising the deduction for dependents.[34] Since the official poverty line is a pre-tax figure, this reform alone would not reduce the gross numbers of poor. But it would significantly change the actual meaning of the poverty numbers by freeing significant funds for personal use.[35]

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[31] Median income for female-headed families in 1984 was $12,803, up from $11,769 in 1983. *See* Money Income and Poverty Status, *supra* note 7, Table A. It is worth noting that of the 7.3 million families in poverty in 1984, there were virtually the same number of female-headed and married-couple families (about 3.5,million each). Of poor black families, only 479,000 were married-couple families, compared with 1.5 million female-headed families. *Id.*, Table 15, at 21.

[32] *See* Money Income and Poverty Status, *supra* note 7, Table 19, at 30.

[33] In 1984, furthermore, only 6.6 million of the poor were "unrelated individuals." *Id.*, Table 15, at 21.

Special employment programs for married people might also be designed to assure full-time employment for at least one spouse. In addition, minimum child allowances might be set for at least the first two children with automatic increases for each year of marriage maintained. The public policy problems involved in helping married-couple families are intriguing, if quite straightforward.

(2) For female-headed households with no husband present, the policy dilemma is more complex. Incentives that would lead to the creation of more such households would be self-defeating. While the freedom of persons who choose such a situation must be respected, there are sound public policy reasons, based in part on the desire to minimize the tax burden of subsidizing the dependent poor, for at least not encouraging the break-up of couples and for positively discouraging the abandonment of unwed mothers by their male partners. Thus, two objectives in apparent tension with one another must be achieved at the same time, namely helping those genuinely in need without establishing incentives that invite yet higher frequencies of need.

In developing public policy in this area, it is perhaps important to consider distinctions in the origins of female-headed households. Typically, the creation of a female-headed household comes about with some suddenness; there is little or no time to prepare for it. Widowhood, desertion after marriage, separation, divorce and abandonment may have the common consequence of generating financial need. These statuses may not be alike, however, in their consequences for the woman involved, especially with respect to the particular parameters of her need for financial assistance. Some women may need quick and substantial help, but only for a short time. Others may need modest help for an extended period. In designing programs that really help, we must go back to the disaggregation principle and take into account differences in the age, work experience and education of the women involved. It is conceivable that a system of credits that allowed a woman to borrow as needed from some fixed sum at low interest, at her own pace, might allow for maximum program flexibility. Then, later, when she is entirely back on her feet and the children are grown, she might find repayment easier. In addition, such a program might be self-financing. It might also engender in those who participate a feeling of control over their own destiny.

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[34] *See* The President's Tax Proposals to the Congress for Fairness, Growth, and Simplicity, *reprinted in* 72 FED. TAX REP. (CCH) No. 25, at ch. 2 (May 29, 1985).

[35] In this regard, it is quite striking that in 1984, 295,000 poor families were only $250 below the official poverty line, and 594,000 only $500 short of it. *Id.*, Table 19, at 30.

A second possibility might involve some form of "separation insurance," to which married couples might contribute to protect against unexpected financial needs that often arise— temporarily in many cases—from sudden separation or divorce. Such a program geared to divorce and separation might not be as massive as it would seem at first glance given the number of female-headed households. The often-cited figure—"one out of every two marriages today ends in divorce"—is misleading, since one person may be involved in more than one divorce, and, as a consequence, may inflate the sum of divorces counted; whereas every permanent marriage is counted only once. Two of every three couples who pledge to stay together "until death . . ." in fact do so.

Realists will quickly detect weaknesses in such schemes. Government credit programs, both for students and for farmers, have been vulnerable to abuse. Insurance programs, public, private or mixed, incur their own difficulties. The task, however, is not to create a perfect program, but one that, on the whole, achieves its purposes with limited costs and risks and with sufficient incentives and/or sanctions to prevent the worst abuses.

With respect to teenage mothers abandoned without marriage, one circumstance in particular may suggest a clue for policy-makers. Many such young women are clustered in urban neighborhoods. This circumstance suggests that, rather than directing support to each individual, support might instead be provided in kind in the form of social centers, at which meals would be served, child care provided, the skills of child-rearing taught and classes held, for the purpose of allowing mothers to complete their education in preparation for their later economic self-reliance. Providing assistance in such a social context might go far toward reducing an unwed mother's sense of isolation while also contributing to her non-monetary human needs. Some programming of this sort is already occurring under private auspices.[36]

Again, with respect to all poor persons, it is important to study the success stories for insights into what will make successful public policy. Every year, a great many individuals, households and families *do* escape from poverty, even as others, through various misfortunes, take their places. The poverty *aggregates* do not reflect the same individuals every year. There is considerable individual mobility and flux. The study of how the successful ones exit from poverty might offer us many creative ideas. The study of how some people manage to escape from poverty is far more likely to lead to programs that decrease the incidence of poverty than is the study of misfortunes. Too much of the literature on poverty is a recitation of pathology, too little a discovery of human resilience, will and inventiveness. It would be helpful if the media approached poverty less with the censorious, puritanical intention of making the affluent feel guilty, and more with the humane intention of helping the needy learn from the methods and approaches that worked for many in their midst. Rising from poverty was once the substance of American narratives. For millions this story line, with its heroism and courage, still reflects the path of their own lives.

Finally, it is important to remember that some forms of poverty do not spring principally from political or economic causes; some spring instead from moral and cultural roots. Accordingly, leaders of our moral and cultural institutions—the news and entertainment media, the universities, think tanks, the churches, political parties, and so on—ought to think conscientiously about their impact on the national ethos. They might, for example, do more both to encourage the married-couple family (which is surely in need of social sustenance) and to express disapproval of those men who without so much as marriage abandon young women with children they have fathered. This last problem is not merely an acute moral disorder, commanded by neither nature nor nature's God, but also a profound social disorder that has great cost for our country.

To believe that the national ethos has no effect whatever upon personal behavior would be a grave mistake. Meanwhile, those responsible for public policy need to evaluate more systematically the pattern of incentives and remedies created by existing and proposed programs to see whether this pattern cannot be altered to promote a sounder social order, particularly with regard to families.

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[36] *See, e.g.*, National Center for Neighborhood Enterprise, Washington, D.C.

IV. Concluding Remarks

In monetary terms, as we have seen, simply getting everyone over the poverty line is not a difficult proposition. We already spend considerably more than that on existing programs, much of it to good effect. With some of our programs, however, we seem to be "losing ground." We are certainly losing ground through our recent national preference for a new family structure. For the nation as a whole, the new family structure has become expensive indeed. It is the main "structural" cause of "new poverty." Until 1984, the "new poverty" was growing faster than the "old" was being reduced. With classic American can-do, however, and a burst of social inventiveness, we should be able to reduce that form of poverty, too, during the coming ten years.

In reducing poverty, this nation of immigrants and, alas, former slaves, has had no historical peer. We are not, in a word, any less capable of social invention than were our forebears. Were the official United States poverty level translated into British pounds, Italian lire, French francs, Soviet rubles, and the rest, it would soon be obvious that the the official U.S. measure of poverty appears to the vast majority of humans on this globe, even in developed countries, a generous sum. Yet we know we can do better, and we must.

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TABLE 1

Opinions on Poverty
(all numbers in percent)

Question	Persons In Poverty	Persons Not in Poverty	National
Some people think welfare encourges husbands to avoid family responsibilities because it's easier for wives to get aid for children if father has left.			
Almost always or often	60	61	61
Seldom or almost never	32	34	33
Don't know	8	5	6
Poor young women have babies so they can collect welfare			
Almost always or often	64	44	48
Seldom or almost never	23	51	46
Don't know	13	5	6
Anti-poverty programs have worked			
Almost always or often	31	33	32
Seldom or almost never	56	59	58
Don't know	13	8	10
When poverty programs failed, it was because			
Never given enough money	5	6	6
Money wasted on unhelpful projects	30	41	39
Money never got to poor	50	40	42
Don't know	13	11	11
Greatest responsibility for helping the poor should be upon			
Charities	4	8	7
Churches	24	16	17
Families and relatives	5	13	12
The government	34	33	34
The poor themselves	28	20	21
Other	0	0	0
Dont' know/all about equally	4	9	8
Even if government were willing to spend whatever is necessary to eliminate poverty in the United States, does government know enough about how to do this?			
Yes, we know how	28	22	22
No, we don't know how	56	73	70
Don't know	15	4	7

SOURCE: Los Angeles *Times* poll, April 21-25, 1985; published in *Public Opinion*, June/July 1985.

TABLE 2

Persons Below the Poverty Level (with poverty rate) by Family Status

(in thousands of persons, except poverty rate percentages in parentheses)

	1960		1970		1980		1984	
All persons	39 851	(22.2)	25 420	(12.6)	29 272	(13.0)	33 700	(14.4)
In female-headed households, no husband present	10 663	(49.5)	11 154	(38.2)	14 649	(33.8)	16 440	(34.0)
Householders	7 247	(42.4)	1 951	(32.5)	2 972	(32.7)	3 498	(34.5)
Related children under 18	4 095	(68.4)	4 689	(53.0)	5 866	(50.8)	6 772	(54.0)
65 years and older		(NA)	2 511	(41.1)	2 308	(27.8)	2 001	(22.1)
Unrelated individuals	3 416	(50.9)	3 652	(38.4)	4 118	(27.4)	4 035	(24.4)
In all other households	29 188	(18.5)	14 266	(8.2)	14 623	(8.0)	17 260	(9.3)
Householders	6 288	(15.4)	3 309	(7.2)	3 245	(6.3)	3 780	(7.2)
Related children under 18	13 193	(22.3)	5 546	(9.2)	5 248	(10.4)	6 157	(12.5)
65 years and older		(NA)	2 198	(16.7)	1 563	(9.5)	1 329	(7.5)
Unrelated individuals	1 510	(36.1)	1 438	(24.0)	2 109	(17.4)	2 575	(18.7)
In married-couples families		(NA)		(NA)	3 032	(6.2)	3 488	(6.9)

SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 149, *Money Income and Poverty Status of Families and Persons in the United States: 1984*, Table 15; and ibid., No. 127 (1980), Table 16.

TABLE 3

Out-of-Wedlock Births
(per 1000 unmarried women)

Year	Whites	Blacks & others	National
1950	6.1	71.2	14.1
1960	9.2	98.3	21.6
1965	11.6	97.6	23.5
1970	13.8	89.9	26.4
1975	12.4	79.0	24.5
1980	17.6	77.2	29.4

SOURCE: *Statistical Abstract of the United States 1985*, Table 94.

TABLE 4

Family Status of Adults
(in millions, except percents)

Year	Total	Single	Married	Widowed	Divorced	No. of Divorces per 1000 Persons
1960	125.5 (100)*	27.7 (22)	84.4 (67)	10.6 (8)	2.9 (2)	2.2
1970	132.5 (100)	21.4 (16)	95.0 (72)	11.8 (9)	4.3 (3)	3.5
1980	159.5 (100)	32.3 (20)	104.6 (66)	12.7 (8)	9.9 (6)	5.2
1983	167.1 (100)	35.9 (22)	106.7 (64)	12.8 (8)	11.6 (7)	(NA)

*numbers in parentheses represent the percentage of the total population

SOURCE: *Statistical Abstract of the United States 1985*, Tables 44 and 120.

TABLE 5

Employment for 16 - 65 Age Group

(in millions, except percents)

	1972			1980			Oct. 1985		
	Total Adults	Employed	% of Adults Employed	Total Adults	Employed	% of Adults Employed	Total Adults	Employed	% of Adults Employed
National	124	79	64	143	94	67	152	105	69
Whites	109.6	70.7	65	124.1	85	68	129.6	92.2	71
Blacks	12.9	7.5	62	15.8	9.1	56	17.5	10.3	56

SOURCE: Telephone inquiry to Bureau of Labor Statistics, November 8, 1985.

FIGURE 1

Persons below the Poverty Line IN FAMILIES of Female-Headed Households, with No Husband Present

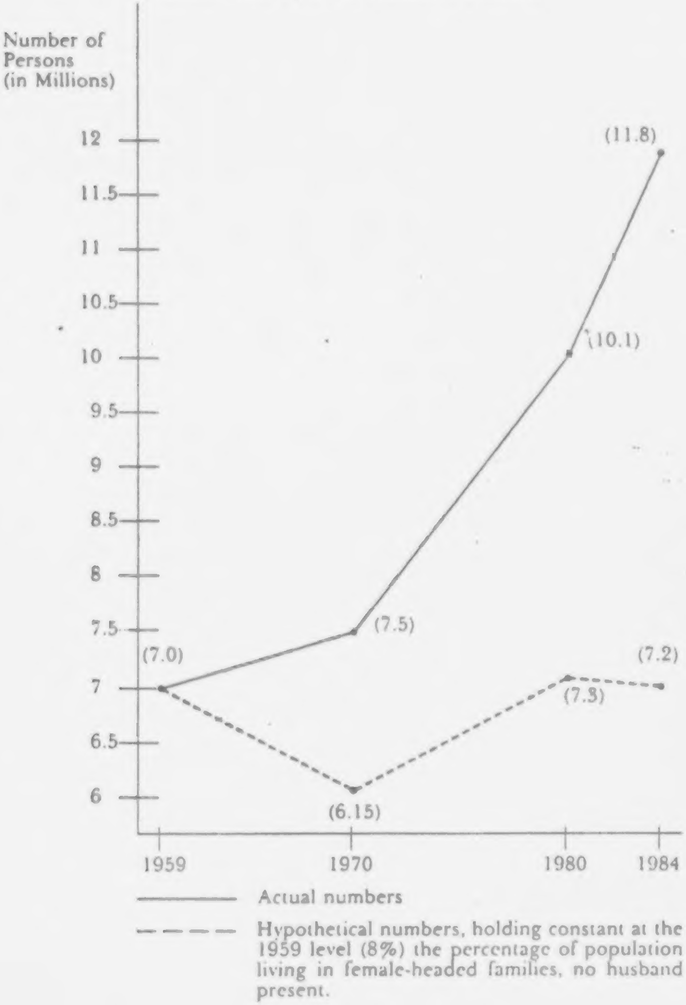
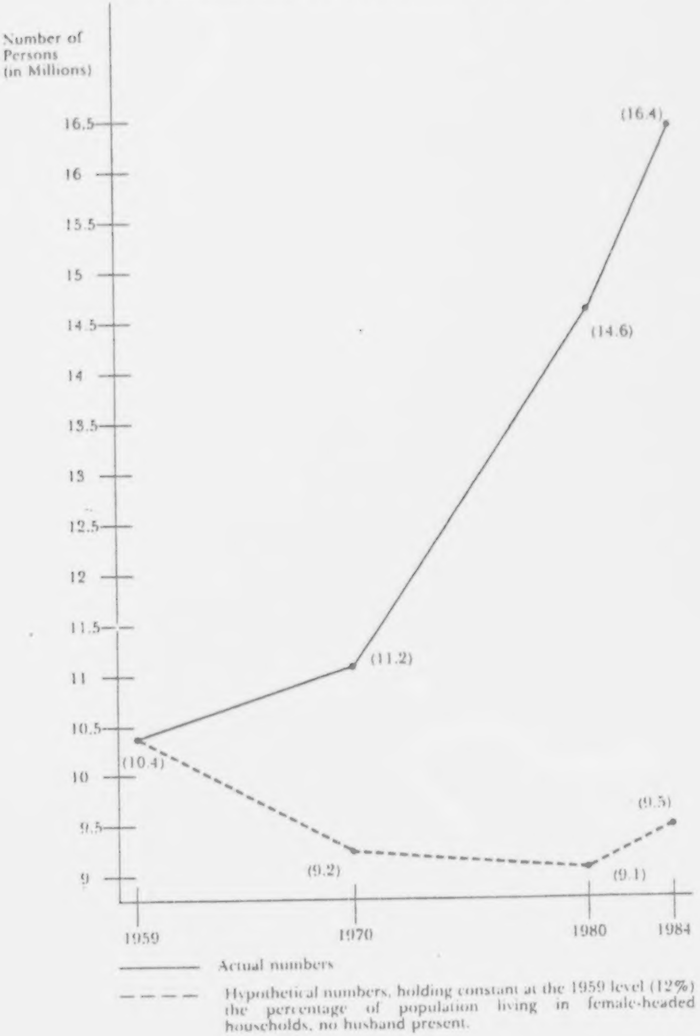


FIGURE 2

Persons below the Poverty Line in Female-Headed HOUSEHOLDS, with No Husband Present



——— Actual numbers

– – – – Hypothetical numbers, holding constant at the 1959 level (12%) the percentage of population living in female-headed households, no husband present.